# STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held as a Hybrid Meeting in the COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING and by Microsoft Teams on THURSDAY 8 JUNE 2023 at 3.00 pm.**

**Present**

Councillor Rosemary FRASER (Vice Convener)

Councillor Neil BENNY
Councillor Paul HENKE
Councillor Chris KANE
Councillor Gerry MCLAUGHLAN
Councillor Jim THOMSON
Councillor Alasdair TOLLEMACHE

**In Attendance**

Colette Cameron, Lead Solicitor – Information Governance
Stephen Clark, Head of Housing
Linda Devine, Finance Team Leader
Lawrence Hay, Head of Customer Service & Performance
Drew Leslie, Head of Infrastructure
David McDougall, Governance Officer (Minutes)
Isabel McKnight, Chief Operating Officer – Communities & Performance
Bryony Monaghan, Head of Education (CEdO)
George Murphy, Accounting Operations Manager
Ewan Murray, Chief Finance Officer – Health & Social Care Partnership
Gordon O'Connor, Audit Service Manager
Dot Reid, Head of Environment & Place
Kirsty Stanners, Chief Officer – Finance
Stephen Swan, Service Manager – Housing Property & Asset Management
Marie Valente, Head of Children & Families (Chief Social Work Officer)
Julia McAfee, Chief Officer – Governance (Clerk)

**Also Present**

Karlyn Watt, Deloitte

*Recording of Meeting started*

Prior to commencement of business the Convener welcomed everyone to the meeting. He advised on the procedures related to hybrid meetings and the protocols that both Members and Officers should adhere to throughout the meeting.

It was advised that the meeting was being broadcast live via the Public-I portal on the Council's website and that a recording of the meeting would also be made publicly available on the website following the meeting.

The Convener asked the Clerk to carry out a roll call of all Members participating in the meeting.

## AC39 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillor Scott Farmer, with Councillor Gerry McLaughlan in attendance as substitute.

## AC40 DECLARATIONS OF INTEREST

There were no declarations of interest.

## AC41 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

## AC42 MINUTES OF MEETING – 30 MARCH 2023

The Minute of Meeting of the Audit Committee held on 30 March 2023 was submitted for approval.

**Decision**

The Audit Committee agreed to approve the Minute of Meeting held on 30 March 2023 as an accurate record of proceedings.

## AC43 ROLLING ACTION LOG

The Rolling Action Log was submitted for review.

The Audit Service Manager agreed to circulate a copy of the current strategic risk register to members of the Audit Committee.

**Decision**

The Audit Committee agreed to note updates to the Rolling Action Log.

## AC44 INTERNAL AUDIT UPDATE REPORT

This report provided a summary of the findings arising from Internal Audit assignments finalised since the last meeting of the Audit Committee on 30 March 2023. This was consistent with the Council's Scheme of Delegation, which required the Committee to review summary Internal Audit reports and the main issues arising.

Since the last meeting of the Audit Committee reports had been issued in relation to Licensing; Payroll - Overtime; Housing Contract Management and Local Code of Corporate Governance Compliance. A summary of the scope and findings arising from these assignments was attached at Appendix 1 to the report.

At the meeting of the Audit Committee on 30 March the Audit Committee considered an Internal Audit Update report which set out the high level assurance arising from work undertaken in support of the Chief Internal Auditor of the Clackmannanshire and Stirling Integration Joint Board. Due to Committee schedules it was not possible to include a summary of the findings and recommendations arising from that work at that time. A summary of findings was now included at Appendix 1 to the report.

In response to a question the Chief Officer - Governance confirmed that the actions relating to the online Licensing register had been completed. The Audit Service Manager advised that the Internal Audit team would follow-up all actions as part of the action tracking process. A report on action tracking would be brought to the August meeting of the Committee.

Responding to a question the Head of Housing advised that there was no post of contracts officer in the Housing Service. This was, however, something that the Head of Housing would consider.

Members expressed concern regarding the limited assurance which was provided by Internal Audit in relation to t off-contract spend by the Housing Service and questioned whether this was an issue across all Services. The Service Manager for Housing and Property Asset Management advised that much of the issue related to historic procurement and that off-contract spend often occurred during periods of slippage between contracts ending and new contracts being put in place. . The Chief Officer – Finance advised that there would always be an element of off-contract spend across all Services where levels of spend do not meet the threshold requiring formal procurement processes.

The Head of Housing confirmed that clarification would be provided to Members of the Committee in relation to total Housing revenue expenditure and the level of off-contract spend.

In response to a query the Audit Service Manager agreed that it may be appropriate for the issue of off-contract spend across the Council to be elevated to the strategic risk register and that would be given consideration.

It was agreed that an update on the issues raised in the Internal Audit report on Housing Contract Management would be provided to a future meeting of the Audit Committee.

**Decision**

The Audit Committee agreed to take assurance from the findings and conclusions arising from Internal Audit assignments completed since 30 March 2023.

(Reference - Report by Audit Service Manager dated 10 May 2023, submitted).

## AC45 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23

This report provided an overall assurance on the Council's arrangements for risk management, governance and control based Internal Audit work undertaken during 2022/23.

The 2022/23 Internal Audit Plan was agreed by the Audit Committee on 25 August 2022. A summary of the status of each planned Internal Audit assignment was set out at Appendix 1 to the report.

The Audit Service Manager is required by the Public Sector Internal Audit Standards to provide an annual opinion on the adequacy of the Council's arrangements for risk management, governance and control. This opinion should be based on Internal Audit work undertaken over the course of the year.

Taking account of the outcomes of work set out at Appendix 1 to the report, the Audit Service Manager provided substantial assurance in terms of the Council's arrangements for risk management, governance and control for the year to 31 March 2023. This assurance was provided in line with the definitions at Appendix 2 to the report.

Responding to queries from Members the Audit Service Manager confirmed that the assignments relating to cyber resilience and the City Region Deal that formed part of the 2022/23 plan would be carried forward as priorities to undertake during 2023/24. The Audit Service Manager also confirmed that the scope of the Roads and Bridges Asset Management assignment would include arrangements for prioritising repairs and maintenance.

**Decision**

The Audit Committee agreed to take assurance that:

1. sufficient Internal Audit work was undertaken to support a balanced assurance;

2. the Audit Service Manager could provide Substantial Assurance on the Council's arrangements for risk management, governance and control for 2022/23; and

3. the Internal Audit team operated in compliance with Public Sector Internal Audit Standards.

(Reference - Report by Audit Service Manager dated 2 May 2023, submitted).

## AC46 2022/23 RISK MANAGEMENT POLICY AND PLAN

This report sought the Committee's approval of a revised Risk Management Policy. It also set out a summary of the Risk Management team's planned activity for 2023/24. Delivery of the actions set out in this Plan would help ensure that effective risk management became embedded strategically and operationally across all Council Services.

This report was to be considered alongside the 2023/24 Counter Fraud Plan that was included elsewhere on this agenda and the Internal Audit Plan approved by the Committee at its meeting on 30 March 2023.

The previous version of the Risk Management Policy was approved by Council on 24 June 2021 and a revised Risk Management Policy was attached at Appendix 1 to the report. The revised Policy sought to better articulate responsibilities and accountabilities.

A Risk Management Plan for 2023/24 was attached at Appendix 2 to the report. This set out a summary of the actions planned to help further embed effective risk management as business as usual across all Services. Progress would be reported to the Audit Committee over the remainder of 2023/24.

In response to a query regarding the process for escalating risks from operational to strategic level, the Audit Service Manager advised that work was required to review and rationalise operational risks across the Council. This would focus on key operational risks and establish a clearer escalation / de-escalation process. The Risk Management Coordinator will progress this in conjunction with service colleagues.

Responding to queries, the Audit Service Manager confirmed that the Risk Management Coordinator was currently acting as adviser in relation to the City Region Deal MOD land acquisition process and that a full risk register was in place for this work. The Audit Service Manager also confirmed that he was not aware of issues raised in relation to the transport of nuclear material through the Stirling Council area by the MOD, but was happy to discuss further with colleagues.

The Clerk confirmed that arrangements would be made for the terms of reference and membership of internal governance boards to be provided to Members of the Committee.

**Decision**

The Audit Committee agreed to:

1. approve the revised Risk Management Policy; and

2. note the proposed work set out in the 2023/24 Risk Management Plan.

(Reference - Report by Chief Officer - Governance dated 9 May 2023, submitted).

## AC47 CORPORATE FRAUD PLAN AND UPDATE

The purpose of this report was to provide the Audit Committee with a summary of the Corporate Fraud team's planned activity for 2023/24 and a summary of recent and ongoing work.

An overarching Counter Fraud Strategy was considered by the Audit Committee at its meeting on 2 September 2021 and a detailed Procedure for Investigating Corporate Fraud Referrals set out the team's processes for investigating allegations of fraud.

**Decision**

The Audit Committee agreed to:

1. note the proposed work set out in the 2023/24 Corporate Fraud Plan; and

2. take assurance from recent and ongoing Corporate Fraud work.

(Reference - Report by Chief Officer - Governance dated 11 May 2023, submitted).

## AC48 PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWING POLICY) ANNUAL REPORT

The purpose of this report was to present the Monitoring Officer's annual report on concerns brought to her attention through whistleblowing.

**Decision**

The Audit Committee agreed to take assurance from the contents of this Public Interest Disclosure (Whistleblowing Policy) Annual Report.

(Reference - Report by Chief Officer - Governance dated 12 May 2023, submitted).

## AC49 AUDIT COMMITTEE ANNUAL REPORT 2022-23

The purpose of this report was to present the Audit Committee Annual Report 2022-23 to the Committee in order that the report could be referred to Council to provide assurance on the performance of the Audit Committee in terms of its delegated functions, as set out in the Council's Scheme of Delegation.

Following this meeting, and subject to approval by the Audit Committee, the Audit Service Manager would present the Annual Report to the meeting of the Council on 5 October 2023.

Following discussion, it was agreed that the potential for undertaking an Audit Committee self-assessment to inform future Audit Committee Annual Reports would be discussed with the Audit Committee Convener.

It was agreed that future Audit Committee Annual Reports would include details of training and development activity. Training relating to assurance activities would be considered as part of the wider training programme for all Members.

**Decision**

The Audit Committee agreed to:

1. take assurance from the Audit Committee Annual Report 2022-23 at Appendix 1 to the report; and

2. approve the submission of the Annual Report to the meeting of the Council on 5 October 2023.

(Reference - Report by Chief Officer - Governance dated 1 May 2023, submitted).

## AC50 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2022

The purpose of this report was to provide Members with an update on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 ("RIPSA") by Stirling Council during the period from 1 January 2022 to 31 December 2022. In their 2023 annual report, the IPCO identified several councils in the UK as being 'reassuringly compliant', with Stirling Council being the only Scottish local authority referenced.

**Decision**

The Audit Committee agreed to:

1. note that there were no authorisations for directed surveillance granted during the period from 1 January 2022 to 31 December 2022;

2. note that there were no active covert human intelligence sources in place as at 31 December 2022, with none recruited or used during the period from 1 January 2022 to 31 December 2022;

3. note that there were no breaches of the Council's Regulation of Investigatory Powers (Scotland) Act 2000 Policy identified during the period from 1 January 2022 to 31 December 2022; and

4. take assurance in relation to the actions taken to address the advice and detailed in the IPCO inspection letter dated 16 April 2021.

(Reference - Report by Chief Officer - Governance dated 12 May 2023, submitted).

## AC51 STIRLING COUNCIL EXTERNAL AUDIT PLAN 2022/23

The purpose of this report was to present to the Audit Committee the appointed external auditor's External Audit Plan 2022/23. The Plan set out the external audit work to be undertaken in relation to the financial year 2022/23.

Responding to queries, the external auditor advised that in relation to the thematic reviews around council leadership, climate change and cyber risk issues, further separate information would be provided in the annual audit report to the Committee in August 2023. The external auditor also advised that she was not aware of any development in relation to the potential merging of the Falkirk and Lothian pension funds.

The Audit Service Manager confirmed that internal and external audit work in relation to cyber risk would be complimentary and that the internal and external auditors would take assurance from each other's work.

In response to a request, the external auditor agreed to share the Audit Scotland questions relating to planned work on climate change arrangements with Members of the Committee.

**Decision**

The Audit Committee agreed to:

1. note the planned audit work to be undertaken as outlined in the Annual External Audit Plan 2022/23; and

2. note it is currently anticipated that the findings from the external auditor's work will be reported to the Audit Committee meeting on 24 August 2023.

(Reference - Report by Chief Officer - Finance dated 29 May 2023, submitted).

## AC52 STIRLING COUNCIL DRAFT ACCOUNTS 2022/23

The purpose of this report was to ask the Audit Committee to consider the draft Stirling Council accounts prior to their submission to the external auditor.
In response to a query, the Accounting Operations Manager confirmed that he would provide members of the Committee with information regarding the valuation of car parks.

Discussion took place regarding the Enterprise Resource Planning (ERP) system, with Members querying the management of risks and the current implementation timescales. The Head of Customer Service and Performance advised that the plan is for the system to go live in October 2023. It was noted that the project was being managed and monitored by the project management board with individual workstream leads accountable to that board.

The Head of Customer Service and Performance advised that it would take time for the full benefits of the new system to be realised but that savings would be tracked and reported. It was noted that staff were undertaking training and that a continuous improvement programme would be put in place to ensure the Council continued to make best use of this resource.

It was agreed that the total cost of the ERP system to date would be provided to Members of the Committee. Cost information relating to ERP would be considered by a future meeting of the relevant Committee.

Responding to a query regarding references to the key performance indicators (KPIs) within the financial accounts, the Chief Officer – Finance advised that a performance report would come out later in the year, which would contain more detailed information, with this current report providing a light touch overview.

In response to a query regarding the Voluntary Severance (VS) process, the Chief Officer – Finance advised that it was a complex process which involved Falkirk Pension Fund.

The Chief Officer – Finance advised that she would be happy to bring a more detailed progress report to the October meeting of the Audit Committee to give a further update at that point, and agreed that there was a risk that delay in obtaining figures from the Falkirk Pension Fund could impact on savings realised this financial year.

Responding to a query in relation to accountability for approving severance costs the Chief Officer – Governance confirmed that responsibility sat with the Chief Executive under provision CE17 of the Scheme of Delegation, which delegated authority to the Chief Executive to determine applications for early retirement and voluntary severance for Officers below Chief Operating Officer level, within the approved regulations and policy direction of the Council.

**Decision**

The Audit Committee agreed to:

1. note the General Fund and HRA revenue outturn positions as at 31 March 2023;

2. note the position in terms of the Council's share of the net pension asset of the Local Government Pension Scheme; and

3. note the Stirling Council draft accounts prior to their submission to the external auditor.

(Reference - Report by Chief Officer - Finance dated 29 May 2023, submitted).

## AC53 DRAFT ACCOUNTS FOR CHARITABLE TRUSTS 2022/23

The purpose of this report was to ask Audit Committee to consider the draft accounts for the Council's Charitable Trusts prior to their submission to the external auditor.

Responding to a question the Chief Officer – Finance advised that she would follow up with the Member directly in relation to the query around the change in status of the Common Good Funds which meant that the charity asset lock provisions no longer applied and what implications this might have for the disposal of Common Good Fund assets. Work continued on the review of small charitable trusts and the report provided information on progress made to date.

**Decision**

The Audit Committee agreed to:

1. note the draft accounts of the Council's Charitable Trusts prior to their submission to the external auditor; and

2. note that the Stirling Council Common Good Funds were no longer considered charities under the applicable legislation, and no longer required separate financial statements to be prepared for audit purposes.

(Reference - Report by Chief Officer - Finance dated 29 May 2023, submitted).

The Convener declared the Meeting closed at 4.55pm

# NOTICE OF MEETING

**A SPECIAL MEETING** of the **AUDIT COMMITTEE** will be held as a Hybrid Meeting in the **COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING** and by **MICROSOFT TEAMS** on **THURSDAY 8 JUNE 2023 at 3.00 p.m.**

In accordance with Section 43 of the Local Government in Scotland Act 2003 the Convener has agreed that this meeting will be conducted in such a manner as to allow remote attendance by Elected Members.

Please note that the meeting will be broadcast live at:
https://stirling.public-i.tv/core/portal/home

A recording of the meeting will also be made available following the meeting

***JULIA MCAFEE***
*Chief Officer – Governance*
Clerk to the Council

2 June 2023

## A G E N D A

**1** **APOLOGIES AND SUBSTITUTIONS**

**2** **DECLARATIONS OF INTEREST**

**3** **URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER**

**4** **MINUTES OF MEETING – 30 MARCH 2023** (Pages 1 – 6)

**5** **ROLLING ACTION LOG** (Pages 7 – 8)

**6** **INTERNAL AUDIT UPDATE REPORT**
Report by Audit Service Manager (Pages 9 – 32)

**7** **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23**
Report by Audit Service Manager (Pages 33 – 40)

**8** **2022/23 RISK MANAGEMENT POLICY AND PLAN**
Report by Chief Officer – Governance (Pages 41 – 54)

**9** **CORPORATE FRAUD PLAN AND UPDATE**
Report by Chief Officer – Governance (Pages 55 – 64)

**10** **PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWING POLICY) ANNUAL REPORT**
Report by Chief Officer – Governance (Pages 65 – 68)

**11** **AUDIT COMMITTEE ANNUAL REPORT 2022-23**
Report by Chief Officer – Governance (Pages 69 – 84)

**12** **REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2022**
Report by Chief Officer – Governance (Pages 85 – 90)

**13** **STIRLING COUNCIL EXTERNAL AUDIT PLAN 2022/23**
Report by Chief Officer – Finance (Pages 91 – 140)

**14** **STIRLING COUNCIL DRAFT ACCOUNTS 2022/23**
Report by Chief Officer – Finance (Pages 141 – 236)

**15** **DRAFT ACCOUNTS FOR CHARITABLE TRUSTS 2022/23**
Report by Chief Officer – Finance (Pages 237 – 260)

(For further information, please contact –
Governance Officer – David McDougall on mcdougalld@stirling.gov.uk )

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**If you have any queries about your data protection rights please contact the Data Protection team at** dataprotection@stirling.gov.uk

**THIS ITEM RELATES TO ITEM 4 ON THE AGENDA**

# STIRLING COUNCIL

**MINUTES of SPECIAL MEETING of the AUDIT COMMITTEE** held as a Hybrid Meeting in the **COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING** and by **MICROSOFT TEAMS on THURSDAY 30 MARCH 2023 at 3.00 pm.**

**Present**

Councillor Scott FARMER (Convener)

Councillor Neil BENNY
Councillor Rosemary FRASER
Councillor Paul HENKE
Councillor Chris KANE
Councillor Alasdair TOLLEMACHE

**In Attendance**

Karen Bryce, Urban South, Fieldwork South & Children with Disabilities Team Leader (Children & Families)
Stephen Clark, Head of Housing
Judy Edwards Early Years & Early Intervention Service Manager (Education)
Lawrence Hay, Head of Customer Service & Performance
Linda Hill, Regulatory Service Manager (Infrastructure)
Drew Leslie, Head of Infrastructure
Steven MacDonald, Interim Head of Economic Development & Culture
Isabel McKnight, Chief Operating Officer – Communities & Performance
Gordon O'Connor, Audit Service Manager (Governance)
Dorothy Reid, Head of Environment & Place
Brian Roberts, Chief Operating Officer – Infrastructure & Environment
Kirsty Stanners, Chief Officer – Finance
Karen Swan, Committee Officer (Governance)
Julia McAfee, Chief Officer – Governance (Clerk)

*Recording of Meeting started*

Prior to commencement of business the Convener welcomed everyone to the meeting. He advised on the procedures related to hybrid meetings and the protocols that both Members and Officers should adhere to throughout the meeting.

It was advised that the meeting was being broadcast live via the Public-I portal on the Council's website and that a recording of the meeting would also be made publicly available on the website following the meeting.

The Convener asked the Clerk to carry out a roll call of all Members participating in the meeting.

## AC30 APOLOGIES AND SUBSTITUTIONS

There were no apologies or substitutions from the Members of the Audit Committee.

The Convener noted that apologies had been submitted by Ewan Murray, Chief Finance Officer Health & Social Care Partnership (HSCP).

## AC31 DECLARATIONS OF INTEREST

There were no declarations of interest.

## AC32 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

## AC33 MINUTES OF MEETING – 19 JANUARY 2023

The Minutes of Meeting of the Audit Committee held on 19 January 2023 were submitted for approval.

**Decision**

The Audit Committee agreed to approve the Minutes of Meeting held on 19 January 2023 as an accurate record of proceedings.

## AC34 ROLLING ACTION LOG

The Audit Committee Rolling Action Log was submitted for review and approval.

The Audit Committee received further updates from Officers at the meeting and noted the following within the Rolling Action Log had been actioned and would be removed.

- AC29 Strategic Risk Register – Booking slot at Balfron HWRC / Waste recycling. Verbal Update received – Action submitted for Removal – Committee approved removal.
- AC29 Strategic Risk Register – Update on SWIFT progress. Verbal Update received – Action submitted for Removal – Committee approved removal.

**Decision**

The Audit Committee agreed to note the updates to the Action Log.

## AC35 INTERNAL AUDIT UPDATE REPORT

The Audit Service Manager presented a report that provided a summary of the findings arising from Internal Audit assignments finalised since the last meeting of the Audit Committee on 19 January 2023. The report was consistent with the Council's Scheme of Delegation which required the Committee to review summary Internal Audit reports and the main issues arising.

Clackmannanshire and Stirling Integration Joint Board 2021/22 – Strategic Commissioning Plan

Limited assurance was provided in relation to the process for developing an updated Strategic Commissioning Plan. The findings arising from the work were presented by the Health and Social Care Partnership (HSCP) Chief Finance Officer to the Integration Joint Board's (IJB) Finance and Performance Committee on 22 December 2022. The IJB's Chief Internal Auditor subsequently presented the report to the IJB's Audit and Risk Committee on 8 March 2023.

A summary of findings and recommendations arising would be included in the Internal Audit Annual Assurance report that would be presented to the next meeting of the Council's Audit Committee on 8 June 2023.

Following a Member's question the Audit Service Manager confirmed that Stirling Council Internal Audit team's role in respect of the Health & Social Care Partnership was to provide resource and support to the IJB's Chief Internal Auditor, a role currently held by Clackmannanshire Council's Chief Internal Auditor. Reporting of findings arising to the Council's Audit Committee provided assurance that the IJB was subject to robust Internal Audit and ensured that the Audit Committee was sighted on the outcome of IJB Internal Audit work.

The Committee raised a concern that no HSCP officer was present at the meeting to allow Members to pose questions relating to HSCP Internal Audit work. The Audit Committee agreed that the Convener of the Council's Audit Committee would formally write to the Chair of Clackmannanshire and Stirling IJB expressing concern that no HSCP officers were in attendance at this (and previous) meetings of the Audit Committee to respond to Members' questions.

The Audit Service Manager confirmed that the Clackmannanshire and Stirling IJB Strategic Commissioning Plan would be circulated to Members of Audit Committee.

Food Standards

In June and July 2021 Food Standards Scotland (FSS) carried out an audit of the Council's capacity and capability to deliver food enforcement services. FSS published its report on 3 August 2021, including an action plan with agreed improvement actions. The purpose of the Internal Audit work was to provide independent assurance on progress made by the Council's Food Safety Team.

Substantial assurance was provided that the Council's Food Standards team had completed, or had made significant progress with, the agreed improvement actions in response to the recommendations made by FSS.

Fuel Storage – Springkerse and Callander Depots

Limited assurance was provided on the arrangements for fuel storage and provision at Springkerse and Callander roads depots.

There were 9 high, 7 medium and 2 low risk findings identified. All recommendations made by Internal Audit were accepted and were being implemented by the Head of Environment and Place.

**Decision**

The Audit Committee agreed to take assurance from the findings and conclusions arising from Internal Audit assignments completed since 19 January 2023.

(Reference - Report by Audit Service Manager dated 17 February 2023, submitted).

## AC36 INTERNAL AUDIT PLAN 2023/24

The Public Sector Internal Audit Standards 2017 required the Audit Service Manager to establish risk based plans to determine the priorities of the Internal Audit team. The report presented a 2023/24 Internal Audit Plan for approval.

The report was consistent with the Council's Scheme of Delegation which required the Audit Committee to approve (but not direct) Internal Audit's Charter and Plan and to monitor performance.

**Decision**

The Audit Committee agreed to:

1. note the resources available to Internal Audit;

2. approve the Plan for 2023/24; and

3. note that progress would be reported to Audit Committee on an ongoing basis.

(Reference - Report by Audit Service Manager dated 9 March 2023, submitted).

## AC37 INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT

The Public Sector Internal Audit Standards 2017 (the Standards) required the Audit Service Manager to establish a quality assurance and improvement programme comprising an annual self-assessment and five yearly external assessment. The report presented the findings arising from a recent external assessment of Stirling Council Internal Audit team's compliance with the Standards.

The report was consistent with the Council's Scheme of Delegation which required the Committee to consider reports that dealt with the management and performance of Internal Audit services.

The Audit Service Manager undertook a self-assessment of the Internal Audit team's compliance with the Standards in November 2022. That self-assessment confirmed that the Internal Audit team operated in line with the Standards.

To satisfy the requirement for five yearly external assessment Stirling Council participates in a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group. North Ayrshire Council's Senior Manager (Audit, Fraud, Safety and Risk) undertook an independent external review of the Internal Audit team's compliance with the Standards in December 2022 and January 2023. The report arising from the work was attached at Appendix 1 and confirmed that the Internal Audit team fully conforms with the Standards.

The Chair and Committee thanked the Internal Audit, Risk and Corporate Fraud Team for their work.

**Decision**

The Audit Committee agreed to take assurance from the findings and conclusions arising from the external quality assessment of the Council's Internal Audit team.

(Reference - Report by Audit Service Manager dated 9 March 2023, submitted).

**AC38 ALEOS AND STRATEGICALLY FUNDED BODIES: OVERVIEW OF GOVERNANCE REPORTING 2021/22**

The Chief Officer – Governance submitted a report that provided the Audit Committee with an overview of the governance reporting arrangements for each of the Council's arm's-length external organisations (ALEOs) and other strategically-funded bodies. At its meeting on 28 May 2019 the Committee agreed to receive such a report on an annual basis. The overview report was last presented to the Committee at its meeting on 27 January 2022.

In terms of Appendix 5a of the Council's Scheme of Delegation, the Audit Committee had responsibility to 'monitor the effective development and operation of arrangements for the management of risk in the Council'. The specific arrangements for control and management of the risks associated with governance of the Council's ALEOs and other strategically-funded bodies were set out in the "Local Code of Practice: Following the Public Pound and Funding External Bodies" approved by the Council in December 2014.

Stirling Council worked with a variety of external organisations to achieve its key priorities and objectives and to provide services to residents, businesses and visitors to the Council area. The Council was responsible for ensuring that it could demonstrate Best Value in the use of public funds through any organisation it established or to which it provided funding for such purposes

Following discussion on the ALEOs' reporting timeframes and responsible officers, it was agreed that Chief Operating Officers' for Communities & Performance and Infrastructure & Environment would review the level of responsibility of Officers aligned to the reporting ALEO's and amend to job designations rather than the named Officers.

**Decision**

The Audit Committee agreed to consider and take assurance from the ALEO and other strategically-funded bodies governance reporting framework and information summarised at Appendix 1 to the submitted report.

(Reference - Report by Chief Officer - Governance dated 9 March 2023, submitted).

The Convener declared the Meeting closed at 3.35pm.

**THIS ITEM RELATES TO ITEM 5 ON THE AGENDA**

**AUDIT COMMITTEE - ACTION LOG**
**8 JUNE 2023**

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC13**<br>**27/10/22** | Internal Audit Update Report | Officers to look at other payment options for Debtor Accounts (Arrears) | Kirsty Stanners | | See comments below. |
| **COMMENTS** :<br>10/1/23 - The Council's ICT team is checking out the potential for other methods of payment with our cash receipting system (PAY360) provider. Further updates will be provided when information is received from the supplier. | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **AC16**<br>**27/10/22** | Strategic Risk Register | Risk 12 – Officers to brief Members on Killin situation regarding Ukranian refugees once position is clarified. | Kate Hudson | | 24 January 2023<br><br>**Action complete and submitted for removal.** |
| **COMMENTS –**<br>26/5/23 - Members briefing took place on 24 January 2023.<br><br>6/12/22 - Specific updates are provided when requested by Elected Members. Elected Members have also been included in email updates relevant to their ward. An all-member, in-person (Hybrid) briefing on resettlement is being scheduled for early in 2023, and will include an update on contingency accommodation for Ukrainian guests in Killin, Dunblane and Stirling, as well as an update on wider resettlement and asylum dispersal pressures. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC36**<br>**30/3/23** | Internal Audit Update Report | Audit Committee Convener to formally write to the Chair of Clackmannanshire and Stirling IJB expressing concern that no IJB officers were in attendance at this (and previous) meetings of the Audit Committee to respond to Members' questions. | Julia McAfee | | 3 May 2023<br>**Action complete and submitted for removal.** |
| **COMMENTS –**<br>3/4/23 - Email sent by Convener.<br>18/4/23 - Letter in process of being drafted. | | | | | |

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|---|---|---|---|---|---|
| **AC36**<br>**30/3/23** | Internal Audit Update Report | Clackmannanshire and Stirling Integration Joint Board 2021/22 Strategic Commissioning Plan to be circulated to Members of Audit Committee. | Gordon O'Connor | | 19 April 2023<br>**Action complete and submitted for removal.** |
| **COMMENTS –**<br>19/4/23 – Email sent to Members from K Swan with the requested information. | | | | | |

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|---|---|---|---|---|---|
| **AC38**<br>**30/3/23** | ALEOS and Strategically Funded Bodies: Overview of Governance Reporting 2021/22 | Review level of responsibility of Officers aligned to reporting ALEO's and amend to job titles rather than name of Officer. | Brian Roberts / Isabel McKnight | | 31/5/23<br>**Action complete and submitted for removal.** |
| **COMMENTS –**<br>31/5/23 - Officer details replaced by job titles. | | | | | |

**Stirling Council**

Agenda Item No. 6

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Internal Audit Update Report

## Purpose

This report provides a summary of the findings arising from Internal Audit assignments finalised since the last meeting of the Audit Committee on 30 March 2023. This is consistent with the Council's Scheme of Delegation, which requires the Committee to review summary Internal Audit reports and the main issues arising.

## Recommendations

The Audit Committee is asked to take assurance from:

1. the findings and conclusions arising from Internal Audit assignments completed since 30 March 2023.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit team aims to reduce or mitigate risks to which the Council may be exposed. This is consistent with the Council's Scheme of Delegation which requires the Committee to review summary Internal Audit reports and the main issues arising.

## 1. Background

1.1. Internal Audit's Plan for 2022/23 was agreed by the Audit Committee at its meeting on 25 August 2022. This set out a programme of work for the year and included a number of assignments carried forward from 2021/22.

1.2. The Internal Audit Update reports considered by the Audit Committee at its meetings on 27 October 2022, 19 January 2023 and 30 March 2023 set out progress to those dates. This report provides a further update on work commenced and completed.

## 2. Considerations

2.1. A summary of the status of 2022/23 Internal Audit assignments is included as an appendix to the Internal Audit Annual Assurance Report included elsewhere on today's agenda.

2.2. In summary, fourteen assignments have been completed and the outcomes of a further three will be reported to the Audit Committee at its next meeting on 24 August. Five assignments have been carried forward into the 2023/24 Internal Audit Plan which was approved by the Audit Committee at its meeting on 30 March 2023.

2.3. Since the last meeting of the Audit Committee on 30 March 2023 the following final reports have been issued:

2.3.1 Licensing;

2.3.2 Payroll - Overtime; and

2.3.3 Housing Contract Management.

2.4. A summary of the scope and findings arising from these assignments is attached at **Appendix 1**.

2.5. At its meeting on 30 March 2023 the Audit Committee considered an Internal Audit Update report which set out the high level assurance relating to work undertaken in support of the Chief Internal Auditor of the Clackmannanshire and Stirling Integration Joint Board (the 'IJB). Due to Council and IJB Committee schedules it was not possible to include a summary of the findings arising from that work at that time. A summary of findings is, now, included as part of Appendix 1 to this report.

2.6. In addition, the first review from the 2023/24 Internal Audit plan, relating to Local Code of Corporate Governance compliance, has been completed. The findings arising from this review are also summarised at Appendix 1.

2.7. In line with established practice all Internal Audit reports include a graded statement of assurance on the effectiveness of controls and governance arrangements for the system or area reviewed. The categories of assurance used by Internal Audit are set out at Appendix 2.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability or environmental impact.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1. EqSIA Screening.

4.2. 2022/23 Internal Audit Plan and Update – Audit Committee meeting 25 August 2022 and relevant minute of meeting.

4.3 Internal Audit Update Report – Audit Committee meeting 27 October 2022 and relevant minute of meeting.

4.4 Internal Audit Update Report – Audit Committee meeting 19 January 2023 and relevant minute of meeting.

4.5 Internal Audit Update Report – Audit Committee meeting 30 March 2023 and relevant minute of meeting.

4.6 Internal Audit Plan 2023/34 – Audit Committee meeting 30 March 2023 and relevant minute of meeting.

4.7 Internal Audit Annual Assurance Report 2022/23 – Audit Committee meeting 8 June 2023 and relevant minute of meeting.

## 5. Appendices

5.1. Appendix 1 - Findings Arising from Assignments Completed Since 30 March 2023 Meeting of the Audit Committee.

5.2. Appendix 2 - Definition of Assurance Categories.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 10 May 2023 |

| | |
|---|---|
| Details of Convener(s)and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**Appendix 1**

## Findings Arising from Assignments Completed Since 30 March 2023 Meeting of the Audit Committee.

| | |
|---|---|
| **Assignment:** | **Licensing** |
| **Scope & Objectives:** | This work focussed on:<br><br>• the clarity of accountability arrangements and the roles and responsibilities of those involved in the processing, recording, reviewing and approval of licensing applications. This included reviewing a sample of licence applications to ensure they have been processed in accordance with relevant legislation and the Council's powers and policies and that accurate details of each licence application were retained;<br><br>• the adequacy of the systems, policies, procedures, guidance and training provided to licensing staff and the arrangements for ensuring their application in practice;<br><br>• arrangements for the collection of licensing fees, including charging, banking and reconciliation processes and the formal review and approval of fees; and<br><br>• arrangements for monitoring licence holders' compliance with their licensing conditions. |
| **Assurance and Findings:** | **Substantial Assurance**<br><br>We were able to provide **Substantial Assurance** in relation to the Licensing Team's arrangements for processing, recording, reviewing and approval of civic licensing applications.<br><br>We identified 2 'high', 7 'medium' and 3 'low' risk findings and recommended specific improvement actions to address the related risks. Recommendations and agreed management actions are set out overleaf.<br><br>The Licensing Team is fully conversant with the requirements of the civic licensing legislation under the Civic Government (Scotland) Act 1982. We identified some issues relating to the checking of applications and completion of the checklists. These indicate there is scope to improve the completeness and effectiveness of the application checking and checklist completion processes and the second officer cross-checking.<br><br>We also found seven applications that had been granted that had not been included on the Civic Licensing Schedule. We have recommended that the arrangements for transferring licensing information to the Schedule is reviewed and that control and reconciliation totals are introduced.<br><br>There is scope to ensure the information and content on the Council website for civic licensing applications and guidance is consistent and accurate. The opportunity should also be taken to review and update how it is presented. We also identified some areas where the Licensing Team's documented procedural notes could be enhanced. These include updating the documented procedural notes to ensure they cover all application types, follow a consistent format and reflect the steps followed to complete the processing checklists. |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 1. | **Finding**: Our review of the various civic licensing application forms and associated information on the Council's website identified areas where there is scope to ensure the content was consistent and accurate across different application types. | | | | | |
| | The Licensing Team should review and update the format and content of the application forms for cinema, metal dealer, second hand dealer, taxi booking office and venison dealer and the taxi licence payment form. This should include information relating to licence fees and approvals. | To ensure the content is consistent and accurate across different application types. | **Medium** | **Recommendation Accepted**<br>A review of the format and content of these application forms will be undertaken as soon as practicable. | Team Leader – Litigation and Licensing | 31 August 2023 |
| 2. | **Finding**: There is scope for the information for each licence type to be presented in a more consistent and structured way, for example, separate hyperlinks for application form / guidance on applying / conditions / paying / certificate of compliance / privacy notice / any associated policies (eg street trader policy). The 'businesses' and 'other' categories could be more clearly identifiable (eg entertainment, food, trading etc.). | | | | | |
| | The Licensing Team (taking advice from the Corporate Communications Team) should review the presentation and layout of civic licensing applications and guidance on the Council website to ensure it is consistent for each of the civic licence types. | To ensure the presentation and layout of civic licensing applications and guidance on the Council website is consistent for each of the license types. | **Low** | **Recommendation Accepted**<br>The presentation and layout of civic licensing applications and guidance on the Council website will be reviewed for consistency. | Team Leader – Litigation and Licensing | 31 August 2023 |
| 3. | **Finding**: There is scope to streamline the current manual application process with more robust automated processes, for example, through utilising electronic forms and enabling online payment for all civic licence types. | | | | | |
| | The Licensing Team should identify whether feasible options may exist to streamline and further automate existing processes for example, through utilising electronic forms and enabling online payment for all civic licence types. If so, the team should also seek to establish whether funding may be available from the Transformation Fund to support this. | To improve the efficiency and effectiveness of the current application and payment processes. | **High** | **Recommendation Accepted**<br>The work to identify what feasible options may exist to streamline and further automate existing processes will form part of the ongoing project to modernise the service. This is contingent on wider Council transformation include ERP/CX, availability of budget and resources to support. | Legal Manager | 31 Decem-ber 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **4.** | **Finding**: The documented procedural notes do not refer to the steps that Licensing Team staff take to complete the processing checklists, do not cover all types of licence applications processed by the Licensing Team, do not follow a consistent format and do not record who wrote and approved them or the approval and annual review dates. The documented procedural notes for street traders and window cleaners incorrectly refer to taxi driver applications. | | | | | |
| | The Licensing Team should review and update the documented procedural notes to ensure they cover all application types, follow a consistent format and reflect the steps followed to complete the processing checklists. | To ensure the documented procedural notes are consistent and accurate across different application types. | **Medium** | **Recommendation Accepted**<br>A review of the consistency and completeness of the documented procedural notes will be undertaken. | Legal Manager / Team Leader - Litigation and Licensing | 31 Decem-ber 2023 |
| **5.** | **Finding**: There were seven applications included on the online licensing register that we could not locate on the Schedule. These are licence numbers: PE63, PV80, PV86, SHD231, TD2210, TV63 and WC391. | | | | | |
| | Licence numbers PE63, PV80, PV86, SHD231, TD2210, TV63 and WC391 should be reviewed and any necessary corrective action taken. This should include reviewing the arrangements for transferring licensing information from the register to the Schedule and the introduction of control / reconciliation totals. | To ensure that all licences granted are included and reported on the Civic Licensing Schedule. | **High** | **Recommendation Accepted**<br>These seven licenses will be reviewed and any necessary corrective action taken. This will include reviewing the arrangements for transferring licensing information from the register to the Schedule. | Team Leader - Litigation and Licensing | 30 June 2023 |
| **6.** | **Finding**: There were three issues relating to the checking of applications: the criminal conviction section was not always being completed by the applicant; the correct fee was not always paid; and payment details (date / method / amount) were incomplete. | | | | | |
| | The Licensing Team should be reminded of their responsibility to ensure that applications: are fully completed, correct fee rates have been paid and details are complete. | To ensure all the different applications types are checked consistently for completeness and accuracy. | **Medium** | **Recommendation Accepted**<br>A revised documented procedural note will be introduced which provides certainty on the procedure for handling applications. | Legal Manager / Team Leader - Litigation and Licensing | 31 August 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **7.** | **Finding**: There were three issues relating to the completion of checklists: they were not always being completed for certain licence types; they are not always being used to record which officer initially completed the checklist; and they were either incomplete or sufficient supporting documentation had not been retained with the application. | | | | | |
| | Checklists should be introduced for all application types and the Licensing Team should be reminded of their responsibility to ensure that the checklists are fully completed and all supporting documentation is retained with the application. | To ensure checklists are in place for all the different applications types and are consistently and accurately completed. | **Medium** | **Recommendation Accepted**<br>Checklists will be introduced for all application types to provide certainty on the procedure for handling applications. | Legal Manager / Team Leader - Litigation and Licensing | 31 August 2023 |
| **8.** | **Finding**: The Licensing Team's documented procedural notes do not set out the purpose and importance of the checks on applications and the completion of checklists by the officer processing and the second officer cross-checking. | | | | | |
| | The Licensing Team should develop and implement specific documented procedural notes that set out the purpose and importance of the checks on applications and the completion of checklists by the officer processing and the second officer cross-checking. | To ensure the documented procedural notes are consistent and cover all the steps involved in processing and checking an application and completing the checklists. | **Medium** | **Recommendation Accepted**<br>The purpose and importance of the checks on applications and the completion of checklists by the officer processing and the second officer cross-checking will be addressed as part of recommendation numbers 6 and 7. | Legal Manager / Team Leader - Litigation and Licensing | 31 August 2023 |
| **9.** | **Finding**: The Privacy Notice for Civic Licensing Applications does not: include late hours catering as one of the civic licence types; and refer to personal data being available through Open Data (the Council's Open Data Publishing Platform) or specifically from the public register of applications for licenses. | | | | | |
| | The Privacy Notice for Civic Licensing Applications should be reviewed and updated to include: late hours catering as one of the civic licence types; and to refer to personal data being available through Open Data and from the public register of applications for licenses. | To ensure the Privacy Notice for Civic Licensing Applications is accurate and up to date. | **Low** | **Recommendation Accepted**<br>The Privacy Notice for Civic Licensing Applications will be reviewed and updated. This will be actioned with the support of the Council's Lead Solicitor – Information Governance. | Team Leader - Litigation and Licensing | 21 July 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **10.** | **Finding**: The civic licensing fees table for 2023/24 does not include the fees for the 3 year street trader, 3 year private hire car or 3 year taxi driver's licenses. | | | | | |
| | The fees for the 3 year street trader, 3 year private hire car and 3 year taxi driver's licenses should be included in the civic licensing fees for future years. | To ensure that all civic licence fees are included in the fees and charges approved by Council. | **Low** | **Recommendation Accepted**<br>The fees for the 3 year street trader, 3 year private hire car and 3 year taxi driver's licenses will be included in the civic licensing fees table for future years. | Team Leader - Litigation and Licensing | 30 June 2023 |
| **11.** | **Finding**: There is no formally documented approach for frequency or the targeting of proactive compliance checks of civic licence conditions. | | | | | |
| | A risk based schedule of work to conduct proactive compliance checks of civic licence conditions should be agreed between the Licensing Standards Officer and the Licensing Team Leader. | To ensure that the limited licensing resources are being used to target areas of highest risk. | **Medium** | **Recommendation Accepted**<br>A risk based schedule of work to conduct proactive compliance checks of civic licence conditions will form part of a new approach to be developed by the Team Leader – Litigation and Licensing. This will include a structured work plan for the Licensing Standards Officer developed in conjunction with external parties such as Police Scotland. The work plan will be approved by the Legal Manager. | Team Leader - Litigation and Licensing | 31 Decem-ber 2023 |
| **12.** | **Finding**: There is no formal policy setting out the risk based approach to be followed when taking compliance actions under the Act and providing guidance to officers and licence holders on the ways in which the Council will monitor and enforce compliance with civic license conditions. | | | | | |
| | Consideration should be given to developing a licensing enforcement policy. This policy should supplement the risk based schedule of work and set out the risk based approach to be followed when taking compliance actions under the Act and providing guidance to officers and licence holders on the ways in which the Council will monitor and enforce compliance with civic license conditions. | To ensure the compliance role of the Licensing Standards Officer is clear to licence holders. | **Medium** | **Recommendation Accepted**<br>A document setting out the risk based approach to be followed when taking compliance actions under the Act and providing guidance to officers and licence holders on the ways in which the Council will monitor and enforce compliance with civic license condition will be considered. This will be a procedural or guidance document rather than a Policy given the operational nature of the work involved. | Legal Manager | 31 Decem-ber 2023 |

**Appendix 1**

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|---|---|
| **Assignment:** | **Payroll - Overtime** |
| **Scope & Objectives:** | The scope of this assignment was to evaluate and report on the adequacy and effectiveness of the Council's arrangements for the approval of non-contractual overtime working and the related overtime claims and for the payment of overtime claims through the payroll system.<br><br>In particular, we assessed the following:<br><br>• the requirements for non-contractual overtime working are properly assessed, authorised and allocated to staff within Services in line with service needs and any relevant Council policy;<br><br>• overtime claims are completed and submitted timeously by staff and are properly authorised in advance by an authorised signatory with the relevant delegated authority;<br><br>• overtime claims are properly controlled and processed through the payroll system (i-Trent), are paid at the correct rate and appropriate claims and any supporting information are retained; and<br><br>• overtime working patterns and costs are monitored and reviewed by Service management for financial and budgetary control purposes. |
| **Assurance and Findings:** | **Substantial Assurance**<br><br>Internal Audit was able to provide Substantial on arrangements for approval of non-contractual overtime working and the related overtime claims and for the payment of overtime claims through the payroll system.<br><br>We identified 4 'medium' and 1 'low' risk findings and have recommended specific improvement actions to address the related risks. Recommendations and agreed management actions are set out below. |

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 1. | **Finding**: The Council has 'Guidelines for the Operation of Overtime' which is available on the Source. The purpose of the document is to provide guidance on the operation of overtime working across the Council. This is to ensure that there is a fair and consistent approach to the management and operation of overtime working by Services. The Guidelines were last updated in 2008. | | | | | |
| | We **recommend** that, as an interim measure until the Council's new ERP system is fully implemented, the Payroll team should review and update the 'Guidelines for the Operation of Overtime' document as necessary. | The absence of up to date and comprehensive procedures in relation to the operation of overtime increases the risk of errors and inconsistencies in the management and operation of overtime working across the Council. | **Medium** | **Recommendation Accepted**<br>Whilst the guidance has not been updated for some time there has been little change in the process since the last update. However, there is benefit in refreshing the current guideline to ensure there is a consistent approach throughout all services. | Team Leader - Payroll | June 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **2.** | **Finding**: Within Land Services (Cemeteries and Grass Cutting teams), Facilities Management (Cleaning and Janitorial teams) and the Mobile Emergency Care (MECS) team there is no formal documentation which sets how the need for overtime is assessed and determined or for the allocation and approval of overtime working. | | | | | |
| | We **recommend** that the following teams should finalise work to prepare an overtime process document setting out how the need for overtime is assessed and determined, in addition to the allocation and approval:<br>• Land Services (Cemeteries and Grass Cutting teams) and Facilities Management (Cleaning and Janitorial teams). | The absence of up-to-date and comprehensive procedures in relation to the operation of overtime increases the risk of errors and inconsistencies in the management and operation of overtime working across the Council | **Low** | **<u>Recommendation Accepted</u>**<br><br>**Land Services (Grass Cutting and Cemeteries teams)**<br>Service areas to take forward and complete process map / document to set out how the need for overtime is assessed and determined, in addition to the allocation and approval of overtime working within Land Services.<br><br>**Facilities Management (Cleaning and Janitorial teams)**<br>To develop and finalise work already started to prepare an overtime process document that sets out how the need for overtime is assessed, allocated and approved. | Land Services Manager<br><br>Service Manager – Facilities Manage-ment | August 2023<br><br>Decem-ber 2023 |
| | We **recommend** that the Mobile Emergency Care (MECS) team develops an overtime process document which sets out how the need for overtime is assessed and determined, and also for the allocation and approval of overtime working. | | **Low** | **<u>Recommendation Accepted</u>**<br>The overtime process document has now been developed. | Team Leader – Reab-lement & Tech-nology | Complete |
| **3.** | **Finding**: Overtime claim forms have not previously been used within the Grass Cutting team. There have been six different officers involved in the scheduling, allocation and approval of overtime in the last five years due to officers leaving and temporary cover arrangements. | | | | | |
| | We **recommend** that Land Services (Grass Cutting team) implements the use of overtime claim forms and ensures that these are authorised by an appropriate officer with the delegated authority to do so. | Incorrect and / or inappropriate payments may be made and there may be no or inadequate supporting documentation to refer to in the event of any disputes arising regarding payments made or due to employees. | **Medium** | **<u>Recommendation Accepted</u>**<br>Grass Cutting team to implement the use of overtime claim forms and ensure that these are authorised by an appropriate officer with the delegated authority to do so. These to be retained by the service area and inform the monthly import. | Land Services Manager | June 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **4.** | **Finding**: The Land Services import spreadsheet is not currently restricted and can be accessed by anyone who has access to the Service area of the network drive. | | | | | |
| | We **recommend** that, within Land Services (Grass Cutting and Cemeteries teams), access to the import spreadsheet is restricted to those that are involved in the administration and management of overtime. | The storing of personal data on a spreadsheet that does not have restricted access increases the risk that unauthorised changes, whether intentional or unintentional, could be made to the spreadsheet. | **Medium** | **Recommendation Accepted**<br>In discussion with Business Support / IT, access to the import spreadsheet to be restricted to those that are involved in the administration and management of overtime. | Land Services Manager | July 2023 |
| **5.** | **Finding**: The import spreadsheet is not password protected within the following services: Facilities Management (Catering & Cleaning and Janitorial), MECS, Roads and Land Services (Grass Cutting and Cemeteries teams). | | | | | |
| | We **recommend** that, within Facilities Management (Catering & Cleaning and Janitorial teams), MECS and Land Services (Grass Cutting and Cemeteries teams) the import spreadsheet is password protected. | The storing of personal data on a spreadsheet that is not password protected increases the risk that unauthorised changes, whether intentional or unintentional, could be made to the spreadsheet | **Medium** | **Recommendation Accepted**<br><br>**MECS team**<br>Password protection was added to the import spreadsheet on 20 April 2023.<br><br>**Land Services (Grass Cutting and Cemeteries teams)**<br>In discussion with Business Support / IT access to the import spreadsheet to be restricted to those that are involved in the administration and management of overtime.<br><br>**Facilities Management (Catering & Cleaning and Janitorial teams)**<br>Overtime spreadsheet will be password protected. | Team Leader – Reab-lement & Tech-nology Enabled Care<br><br>Land Services Manager<br><br>Service Manager – Facilities Manag-ement | Complete<br><br>July 2023<br><br>June 2023 |

**Appendix 1**

| **Assignment:** | **Housing Contract Management** |
|---|---|
| **Scope & Objectives:** | The scope of the work was to evaluate and report on the arrangements for managing, monitoring and reporting of works and services contracts within the Housing, Property and Asset Management team.<br><br>To do this we sought assurance that:<br><br>• appropriate procedures are in place to enable management, monitoring and reporting of contracts under the direct control of the Housing Service to ensure that contract expenditure accords with contract terms and conditions and does not exceed the total contract value;<br><br>• appropriate supplier performance management arrangements are in place for a sample of key contracts;<br><br>• suppliers' invoices reflect agreed contract rates and are supported by authorised purchase orders / requisitions and that services have been received or works have been carried out to the required standard or quality set out in the contract;<br><br>• appropriate arrangements are in place for variation and uprating of contracts and that there is an appropriate process in place to cover any exceptional circumstances; and<br><br>• there is appropriate management reporting on the cost, performance and outcomes of the relevant contracts. |
| **Assurance and Findings:** | **<u>Substantial / Limited Assurance Assurance</u>**<br><br>Internal Audit was able to provide **Substantial Assurance** on the adequacy of the arrangements for managing, monitoring and reporting of works and services contracts within the Housing, Property and Asset Management team.<br><br>We could, however, provide only **Limited Assurance** that adequate arrangements were in place to ensure that all procurement procedures had been followed, particularly in relation to 'off-contract' spend which accounted for 3.3% of expenditure in 2022/23.<br><br>We identified 3 'high' and 1 'medium' risk findings and have recommended specific improvement actions to address the related risks. Recommendations and agreed management actions are set out overleaf.<br><br>The Stirling Council Contract and Supplier Management Framework (CSM Framework) details the procedures and documentation to be used to manage contracts with suppliers. This provides a standard approach which was used for all suppliers where there was a formal contract in place. However, there are still some significant areas where the works carried out by external suppliers are 'off contract'. While considerable work has been undertaken in recent years to address the 'off contract' suppliers, this is still ongoing.<br><br>There is no specific Contracts Officer within the Housing team with delegated responsibility for oversight of contracts or overall contract expenditure. While the Team Leaders manage their own areas, a dedicated Contracts Officer would provide support to enable the team to develop new contract strategies, to work on 'off contract' suppliers and assist in making improvements in performance management reporting.<br><br>Performance measures are set out in the standard contract format and agreed with the supplier for the specific works or services being provided. For example the Voids work contract has photographic evidence provided of work done and there is a specific management information portal which the Housing team can use to access the managed stores system, which is provided by the supplier.<br><br>The Council's Easybuy system is used to manage purchase ordering, receipting of goods and payment of invoices for all external suppliers, thereby ensuring a consistent approach is taken to those processes.<br><br>The CSM Framework also sets out the processes to be followed for contract variations and annual uprating of prices. We found that the relevant CSM Framework processes were followed, but we |

**Appendix 1**

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|---|---|
| | identified an issue regarding the checking of changes to rates and the dates used for rate cut-offs, which requires improvements to the process within the Housing team.<br><br>Regular monthly reports are available covering the financial position and meetings are held by the Service Managers with the Service Accountant bi-monthly. Although performance indicators are specified and meetings with suppliers are held these are not always formally recorded and reported. Development work is underway by Service Managers on a new feature called InfoSuite, within the Northgate housing management software system. This will report more dynamically on performance and enable benchmarking of performance by work type, by team and by individual. Once these developments are in place further assessment of performance management reporting requirements could strengthen current arrangements to allow a more targeted approach and to enable issues to be highlighted earlier. |

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **1.** | **Finding**: A supplier was used on an 'off contract' basis so there have been no checks on their insurance cover or financial viability. This supplier had previously been highlighted by Strategic Commissioning team for review and was discussed again with the Housing team at their most recent quarterly review in March 2023. | | | | | |
| | The Housing team should ensure that action is taken to reduce the number and value of suppliers from whom the Service purchases works and services without a properly procured contract**.** | There is a risk that there is an uninsured loss and the Council has to cover the cost and remedy the situation.<br><br>If the supplier is unable to operate then the Council could have to make a new arrangement resulting in delays to service delivery and possible increase in costs.<br><br>In addition, there is the risk that the Council might be subject to legal challenge and also the failure to comply with Contract Standing Orders. | **High** | **<u>Recommendation Accepted</u>**<br>• Liaise with Strategic Commissioning team on all off contract spend / suppliers;<br><br>• Assess if any off contract spend can be met from internal cross service supply;<br><br>• Take formal procurement route for any continuing off contract needs; and<br><br>• Use PRF, framework, open tender dependant on spend level and Service needs. | Team Leaders / Service Manager | May 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **2.** | **Finding**: There is no Contracts Officer who has oversight of all contracts or the overall contract expenditure. While the Team Leaders manage their own areas an officer dedicated to this role would provide support to enable the service to develop new contract strategies, work on 'off contract' suppliers and assist in making improvements in performance management reporting. | | | | | |
| | The Housing team should consider the appointment or recruitment of a Contracts Officer, with specific delegated responsibility for oversight of relevant contracts and related contract expenditure within the Service, and to support new developments. The post-holder could also support planned work in relation to 'off contract' suppliers and improvements in performance management reporting. | There is a risk that the oversight of the contract position may not highlight issues in a timely manner resulting in lost opportunities to make improvements and maintain Council and legal contract management requirements. | **High** | **Recommendation Accepted**<br>• Liaise with Finance team on budget availability for additional staff and HR on a job description commensurate with contracts officer role and responsibility; and<br>• Service to liaise closely with Strategic Commissioning team on current contracts with formal minuted meetings to discuss performance, spend, delivery, etc. | Service Manager / Team Leaders | Novem-ber 2023 |
| **3.** | **Finding**: In our sample of invoices we found instances where the rates did not match the agreed price list supplied in the second year of the contract. This had not been picked up when the purchase orders with the priced requisitions were approved. This is currently being investigated by the Housing team. | | | | | |
| | The Housing team should develop and implement processes to ensure more detailed checks are undertaken on charge rates applied when a contract starts or when there is a revision to charge rates. This will help to ensure that the correct charge rates are used for purchase order pricing and supplier invoicing. These processes must also confirm that any rate change has started on the agreed date. | There is a risk that the cost to the Council is higher than expected resulting in an increase in expenditure. | **High** | **Recommendation Accepted**<br>• Ensure all pre-start meetings include pricing and invoicing on the meeting agenda;<br>• Formalise all ongoing contracts with at least monthly meetings where current invoicing is reviewed and pricing rates are discussed; and<br>• Make provision that all new procured contracts detail the pricing and rates reviews clearly and at specific times / junctures. | Team Leaders | Imme-diate with up-coming contracts but by Novem-ber 2023 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **4.** | **Finding**: Although performance indicators are specified and meetings with suppliers are held these are not always formally recorded and reported. Development work is underway on a new feature on Northgate called InfoSuite which will report more dynamically on performance and enable benchmarking of performance by work type, by team and by individual. New contracts are to have more specific performance measurements added. | | | | | |
| | Once the new developments, new contracts and InfoSuite (within the Northgate housing software system) are in place the Housing team should develop and implement further regular reporting to strengthen performance management arrangements, to allow a more targeted approach and to enable performance issues to be highlighted earlier. | There is a risk that the Service may not identify performance issues early and require additional resources to rectify and meet service delivery requirements. | **Medium** | **Recommendation Accepted**<br>• Ensure monthly contract meetings with suppliers are held by agenda and with minutes;<br>• Implement relevant KPIs and utilise InfoSuite where practical in managing the contract delivery needs; and<br>• Take early intervention on identified areas for action if progress behind targeted outcomes. | Team Leaders / Service Manager | Novem-ber 2023 |

**Appendix 1**

| | |
|---|---|
| **Assignment:** | **Clackmannanshire and Stirling Integration Joint Board 2021/22 – Strategic Commissioning Plan** |
| **Scope & Objectives:** | The role of Chief Internal Auditor to the IJB rotates on 3 yearly basis between Stirling Council, Clackmannanshire Council and NHS Forth Valley. That role currently falls to Clackmannanshire Council, with Stirling Council and NHS Forth Valley Internal Audit teams providing resource to deliver planned work.<br><br>Internal Audit assessed the extent to which the following areas were included in the process for updating the Strategic Commissioning Plan (SCP):<br><br>• the IJB's engagement in all key decisions and in setting the vision / direction for the next iteration the SCP, including understanding and where necessary approving: Process; Products; Parameters; Priorities and Principles;<br><br>• the effectiveness of governance and scrutiny of arrangements; and<br><br>• the process for developing the SCP, including:<br><br>  • assessment of the risks to achievement;<br>  • use of appropriate project / programme management principles;<br>  • learning from remobilisation;<br>  • overt linkages to realistic medicine, transformative programmes, efficiency savings and other initiatives;<br>  • articulation of a clear link between strategy and ongoing service developments, to ensure future services are sustainable;<br>  • the impact of Covid on demand and capacity, as well as identifying overall population need and addresses health and care inequalities;<br>  • congruence with Strategies being developed by partner bodies; and<br>  • identification of the staff, IT, estates and other resource requirements. |
| **Assurance and Findings:** | **<u>Limited Assurance</u>**<br><br>Internal Audit was able to provide **Limited Assurance** in relation to the development of the Strategic Commissioning Plan (SCP) as at 16 December 2022.<br><br>A report was approved by the IJB on 29 June 2022 which outlined the approach to be taken in developing the SCP. The approach presented to the IJB had been agreed in principle by the Strategic Planning Group (SPG) on 11 May 2022 and the Transforming Care Board on 12 May 2022. The programme of work also included key areas of work to be progressed throughout 2022 – 2023 and who was to lead on these tasks.<br><br>The IJB, therefore, agreed a high level approach to the development of the SCP. Some key elements, however, such as how project and risk management are considered, along with resource requirements and constraints, were not detailed. Other elements, such as the Strategic Needs Assessment, remained in development and the various engagement programmes were still ongoing and had not yet been evaluated. We could not conclude that, at a more detailed level, there was evidence available to demonstrate that the IJB has been fully engaged in this process.<br><br>There had been limited progress reporting to the IJB on the development of the SCP. While development plans were in place at a very high level, there were no specific timescales for more detailed plans to be prepared to show the expected timescales for delivery of the SCP. We could not comment on the clarity of the separation of strategic and operational matters as no evidence was provided.<br><br>A report was prepared by the IJB Chief Finance Officer and presented to the IJB on 29 June 2022 in relation to the financial context of the IJB's expenditure following the Scottish Government's Spending Review. This paper did not specifically relate to the impact on the preparation of the SCP. The high level engagement plan did allow for feedback from stakeholders to be incorporated in the SCP, but the type and level of information to be provided to the IJB had not been specified.<br><br>The SPG had been established and meetings had been held. The membership of the group needed to be reviewed to provide sufficient coverage. The SPG's remit was to develop the SCP and have oversight of this process, but this did not refer to the monitoring and reporting of progress to the IJB. |

**Appendix 1**

| | |
|---|---|
| | A high level strategic priorities framework was in place which identified the key priorities for all partners and how this linked to various specific strategies. An up to date version of this, however, remained in development. No evidence was provided in relation to how remobilisation lessons learned, or Covid-19 impact demand on capacity, would be incorporated into the SCP.<br><br>An Engagement Plan outlined what engagement work was planned. Evidence was not provided to support the progress that had been made in relation to the development of the website or the engagement tool. |

| Rec No. | Recommendation | Reason for Recommen-dation | Agreed Management Action | Responsible Owner | Action Due |
|---|---|---|---|---|---|
| 1. | A more detailed project plan, including resource requirements, should be prepared.<br>A project risk assessment should also be carried out. | There is a risk that the Strategic Commissioning Plan is not completed within the required timescale. | **Recommendation Accepted**<br><br>Detailed project plan is in place and can be shared. | Planning and Policy Development Manager | 31 Dec 2022 |
| 2. | The Strategic Planning Group (SPG) should review the work planned to ensure this remains within the limits set by the IJB for the scope of the Strategic Commissioning Plan. | There is a risk that unnecessary work is undertaken that is outwith the scope intended by the IJB for the development of the Strategic Commissioning Plan. | **Recommendation Accepted**<br><br>The next SPG 14th December 2022.<br>Work planned: Findings from Engagement – survey and open meetings / discussions in communities. Strategic Plan priorities and draft Draft Locality Plans.<br><br>These will be shared prior to the meeting for discussion to review and feedback on progress / content during the meeting. | Planning and Policy Development Manager | 14 Dec 2022 |
| 3. | A review should be carried out to ensure that all relevant groups' views and specific emerging approaches such as realistic medicine are being considered and linked into the development of the Strategic Commissioning Plan.<br>A note of what has been considered and by which group should be kept to document this process. | There is a risk that priorities do not align and that some groups or expected approaches are not included. | **Recommendation Accepted**<br><br>Principles of realistic medicine have been woven into the principles and themes of the SCP. However, given the feedback, Realistic Medicine will be given more of a focus and our approach will be set out explicitly within the Plan. | Planning and Policy Development Manager | 31 March 2023 |

**Appendix 1**

| Rec No. | Recommendation | Reason for Recommen-dation | Agreed Management Action | Responsible Owner | Action Due |
|---|---|---|---|---|---|
| 4. | Progress with the following elements of the plan should be monitored:<br><br>• Strategic Needs Assessment (SNA);<br><br>• mapping of priorities across the partnership and the Scottish Government; and<br><br>• engagement programme feedback analysis.<br><br>Any delays must be reported to the Chief Officer and Chief Finance Officer so that action can be taken to address issues arising that might impact on the delivery of the plan. | There is a risk that progress with the supporting elements of the development plan is not monitored in sufficient detail to ensure delivery of the Strategic Commissioning Plan is met. | **Recommendation Accepted**<br><br>The SNA will be shared with Internal Audit. It has been agreed at Committee, Strategic Planning Group, and IJB.<br><br>The SCP has been reported through the SPG, as the public facing group who oversee the development of the Plan, at every meeting this year with each element of the work presented to reflect the programme of work agreed at IJB. The SNA, Workforce Plan and consultation, feedback from Localities, key priorities for the Plan and commissioning consortium development and delivery.<br><br>'Plan on a Page' will be shared with Internal Audit.<br><br>Performance Framework in development and will be shared with Internal Audit. This is at the early stages given the complexity of the data landscape within the HSCP. | Planning and Policy Development Manager | 31 December 2022<br><br>Completed<br><br>31 December 2022<br><br>January 2023 |
| 5. | A more detailed project plan should be developed which shows the tasks that are required to enable the high level activities to be achieved.<br><br>Progress against the plan should then be reported to the next meeting of the IJB and, where necessary, any significant concerns relating to the achievement of the timescales should be highlighted. | There is a risk that without a detailed project plan progress cannot be sufficiently monitored and reported to ensure the SCP is delivered within the timescales set. | **Recommendation Accepted**<br><br>The next meeting of IJB is in February 2023.<br><br>This will include timescales for completion of the SCP up until publication in March 2023.<br><br>Detailed plan can be updated and made available. | Planning and Policy Development Manager | 28 February 2023 |

**Appendix 1**

| Rec No. | Recommendation | Reason for Recommen-dation | Agreed Management Action | Responsible Owner | Action Due |
|---|---|---|---|---|---|
| 6. | The links between the Spending Review and SCP should be clarified and reported to the IJB.<br><br>Similarly, feedback from stakeholders gathered via engagement activity and how this will be incorporated in the SCP should be reported to the IJB. | There is a risk that the impact of the Government Spending Review and feedback from stakeholders is not clearly understood and properly taken into account in the SCP. | **Recommendation Accepted**<br><br>Appropriate narrative will be added to SCP to link the resources available to deliver the SCP to the Scottish Government's Resource Spending Review and the 2023/24 Scottish Draft budget.<br><br>Report providing findings from survey and engagement being prepared and links to priorities within SCP. Update to be given to IJB in February and SPG most recently on 14 December. | Chief Finance Officer<br><br>Planning and Policy Development Manager | February 2023<br><br>In progress – this is a continuous engagement activity. It will not stop with publication of SCP. |
| 7. | The SPG should consider the development project plan in detail, their resources, and how the various elements will be incorporated into the process. | There is a risk that the SCP is not developed within the required timescale and doesn't meet the IJB's requirements. | **Recommendation Accepted**<br><br>Discuss at SPG meeting 14 December. | Head of Strategic Planning and Health Improvement<br><br>Planning and Policy Development Manager | 14 December 2022 |
| 8. | The SPG should review the progress of the engagement plan and specifically the rollout of the website and engagement tool.<br><br>They should also consider the importance of the work with the Sensory Centre and ensure that an appropriate timescale is set for this work to be undertaken. | There is a risk that the engagement process is not completed as planned. | **Recommendation Accepted**<br><br>Completed 8 week survey with 252 participants and held 15 in person engagement sessions and 3 online engagement sessions with citizens living across the partnership's three locality areas (Clackmannanshire, Stirling (Urban) Stirling (Rural) to shape SCP.<br><br>Communication and signposting featured strongly, this will be reflected in SCP and Locality Plans, which are expected to be published in March 2023 pending approval from IJB. | Service Improvement Manager<br><br>Planning and Policy Development Manager | 14 December 2022<br><br>This activity has been carried out throughout previous meetings of the SPG. |

**Appendix 1**

| Rec No. | Recommendation | Reason for Recommen-dation | Agreed Management Action | Responsible Owner | Action Due |
|---|---|---|---|---|---|
| | | | Follow the publication of our new SCP, we will review and renew our Participation and Engagement Strategy 2020 – 2023.<br><br>This work will be led by the Service Improvement Manager who will create and lead a focus group which will aim to have stakeholders including: older adults; disabilities including sight impairment; new Scots / refugee; staff partner(s).<br><br>This focus group will support and inform our review of our current strategy and how we best approach our new Participation and Engagement Strategy and help advise on areas of communication including website, social media, newsletter and other communications to co-produce a new Participation and Engagement Plan for 2024-2027. | | |

**Appendix 1**

| **Assignment:** | **2022/23 – Local Code of Corporate Governance** |
|---|---|
| **Scope & Objectives:** | The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the 'Delivering Good Governance in Local Government Framework' in April 2016 ('the Framework'). 'Guidance Notes for Local Authorities' ('the Guidance') to assist with its implementation were published in December 2016.<br><br>The Framework sets out best-practice principles to underpin the Council's corporate governance arrangements. It requires that the Council has a Local Code of Corporate Governance (the Local Code), that this reflects and describes its corporate governance arrangements and that the Council reviews and tests its governance arrangements against the best-practice principles at least annually.<br><br>The Local Code comprises the strategies, plans, policies, systems and procedures that enable the Council to deliver its strategic priorities and objectives and to discharge and demonstrate accountability for the proper conduct of its business. The Council's Local Code has been prepared and developed since 2018 with reference to the CIPFA and SOLACE Framework and Guidance.<br><br>Internal Audit work sought to provide assurance on:<br><br>• the Council's compliance with the CIPFA and SOLACE Framework, through the development and maintenance of its corporate governance arrangements and Local Code; and<br><br>• the Council's compliance in practice with its corporate governance arrangements and controls, as set out in the Local Code. |
| **Assurance and Findings:** | **<u>Substantial Assurance</u>**<br><br>Internal Audit was able to provide **Substantial Assurance** that:<br><br>• the Council's corporate governance arrangements, and the refreshed Local Code of Corporate Governance approved by the Audit Committee in August 2022, remain consistent with the principles and best practice of the CIPFA and SOLACE 'Delivering Good Governance in Local Government' Framework and Guidance;<br><br>• a comprehensive range of corporate governance arrangements and controls exist and are applied in practice within the Council. These are set out, described and summarised in the Council's Local Code of Corporate Governance; and<br><br>• a number of the Council's strategies, plans, policies and procedures were developed, implemented or revised during 2022/23 and in the period to date. These evidence the continuous development of the Council's corporate governance framework and its operational, financial, and internal control arrangements. |

**Appendix 2**

**Definition of Assurance Categories**

| Level of Assurance | Definition |
|---|---|
| **Comprehensive assurance** | Sound systems for risk management, governance, and control are in place. These should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required. |
| **Substantial assurance** | The systems for risk management, governance, and control are largely satisfactory. There is, however, some scope for improvement as the current arrangements could undermine the achievement of business and / or control objectives and leave them vulnerable to risk of error or abuse. |
| **Limited assurance** | The systems for risk management, governance, and control have some satisfactory aspects. However, they contain a number of significant weaknesses that are likely to undermine the achievement of business and / or control objectives and leave them vulnerable to an unacceptable risk of error or abuse. |
| **No assurance** | The systems for risk management, governance, and control are ineffectively designed or are operated ineffectively. Business and / or control objectives are not being achieved, and the risk of serious error or abuse is unacceptable. Significant improvements are required. |

**Stirling Council**

Agenda Item No. 7

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Internal Audit Annual Assurance Report 2022/23

## Purpose

This report provides an overall assurance on the Council's arrangements for risk management, governance and control, based on Internal Audit work undertaken during 2022/23.

## Recommendations

The Audit Committee is asked to take assurance that:

1. sufficient Internal Audit work was undertaken to support a balanced assurance;
2. the Audit Service Manager can provide Substantial Assurance on the Council's arrangements for risk management, governance and control for 2022/23; and
3. the Internal Audit team operates in compliance with Public Sector Internal Audit Standards.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance, and control. Work undertaken by the Internal Audit team aims to reduce, or mitigate, risk to which the Council may be exposed.

Presentation of the Internal Audit Annual Assurance Report 2022/23 enables the Audit Committee to discharge its remit under the Council's Scheme of Delegation to consider the Audit Service Manager's Internal Audit Annual Assurance Report, including a summary of Internal Audit activity and the level of assurance in terms of the Council's arrangements for risk management, governance and control.

# 1. Background

1.1. The 2017 Public Sector Internal Audit Standards (the Standards) require the Audit Service Manager to prepare an Annual Assurance Report. This report should include:

1.1.1. a statement on the overall adequacy of the Council's control environment;

1.1.2. a summary of Internal Audit work undertaken during the year; and

1.1.3. a statement on the Internal Audit Section's conformance with the Standards.

1.2. This report has been prepared to meet those requirements.

# 2. Considerations

2.1 The 2022/23 Internal Audit Plan was agreed by the Audit Committee on 25 August 2022. The Plan set out a programme of work for the year, prepared in consultation with senior managers and with recourse to key governance documents such as the Council's Strategic Risk Register and Internal Audit's own assessment process.

2.2 A summary of the status of each planned Internal Audit assignment is set out at **Appendix 1**.

2.3 The Audit Service Manager is required by the Standards to provide an annual opinion on the adequacy of the Council's arrangements for risk management, governance and control. This opinion should be based on Internal Audit work undertaken over the course of the year.

2.4 Taking account of the outcomes of work set out at Appendix 1, the Audit Service Manager can provide Substantial Assurance in terms of the Council's arrangements for risk management, governance and control for the year to 31 March 2023. This assurance is provided in line with the definitions at **Appendix 2**.

2.5 The Audit Service Manager is also required to comment on the Internal Audit Team's compliance with the Standards. The Standards have four objectives:

2.5.1 to define the nature of Internal Auditing within the UK public sector;

2.5.2 to set basic principles for carrying out Internal Audit in the UK public sector;

2.5.3 to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and

2.5.4 to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

2.6 The Standards require the Audit Service Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance. This comprises an annual self-assessment and a five yearly external assessment.

2.7 A self-assessment against the Standards was undertaken in late July / early August 2022. That self-assessment confirmed that the Internal Audit team operates in line with the Standards.

2.8 To satisfy the requirement for five yearly external assessment, Stirling Council participates in a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group. This allows Stirling Council to act as assessor, and to be assessed, at no financial cost to any participants.

2.9 The most recent external assessment was undertaken by North Ayrshire Council's Senior Manager (Audit, Fraud, Safety and Risk) in December 2022 and January 2023. The resulting report, which concluded that the Internal Audit team fully conforms to the Standards, was considered by the Audit Committee at its meeting on 30 March 2023.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 There are no direct climate change, sustainability, or environmental impacts as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report, no relevant issues have been identified.

### External Consultations

3.4 None

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Internal Audit Plan 2022-23: Audit Committee meeting 25 August and relevant minute of meeting.

4.3 Internal Audit – External Quality Assessment: Audit Committee meeting 30 March 2023 and relevant minute of meeting.

## 5. Appendices

5.1 Appendix 1 – Summary of 2022/23 Internal Audit Programme.

5.2 Appendix 2 – Definition of Assurance Categories.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 2 May 2023 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s), Portfolio Holder and Depute Portfolio Holders (as appropriate) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | N/A |
| Key Priorities | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**Appendix 1**

**Summary of 2022/23 Internal Audit Programme**

| 2022/23 Assignments | | | |
|---|---|---|---|
| **No.** | **Assignment** | **Lead Service** | **Status** |
| 1. | Public Protection Governance | Children and Families | **Complete:** Substantial Assurance |
| 2. | Equalities | Communities and Performance | **Complete:** Substantial / Limited / No Assurance |
| 3. | Capital Programme Development | Finance | **Complete:** Limited Assurance |
| 4. | Building Security | All Services | **Complete:** Substantial / Limited / No Assurance |
| 5. | Clackmannanshire and Stirling Integration Joint Board 2021/22 – Strategic Commissioning Plan | CSIJB | **Complete:** Limited Assurance |
| 6. | Water Quality in Council Buildings | Education | **Complete:** Substantial / Limited Assurance |
| 7. | Forth Valley Leader Programme | Infrastructure and Environment | **Complete:** Comprehensive Assurance |
| 8. | Local Code of Corporate Governance | Governance | **Complete:** Substantial Assurance |
| 9. | Food Standards | Infrastructure and Environment | **Complete:** Substantial Assurance |
| 10. | Data Protection / Freedom of Information / Environmental Information Regulations Requests | Governance | **Complete:** Substantial Assurance |
| 11. | Fuel Storage – Springkerse and Callander Depots | Infrastructure and Environment | **Complete** Limited Assurance |
| 12. | Licensing | Governance | **Complete** Substantial Assurance |

**Appendix 1**

| 2022/23 Assignments | | | |
|---|---|---|---|
| **No.** | **Assignment** | **Lead Service** | **Status** |
| 13. | Payroll - Overtime | Communities and Performance | **Complete**<br>Substantial Assurance |
| 14. | Housing Contract Management | Infrastructure and Environment | **Complete**<br>Substantial / Limited Assurance |
| 15. | Internal Governance Boards | All Services | To be reported to 24 August meeting of the Audit Committee |
| 16. | Roads and Bridges Asset Management | Infrastructure and Environment | To be reported to 24 August meeting of the Audit Committee |
| 17. | Clackmannanshire and Stirling Integration Joint Board 2022/23 | CSIJB | To be reported to 24 August meeting of the Audit Committee |
| 18. | Staff Wellbeing<br>(**Risk**: Failure to adequately support staff health and wellbeing) | Communities and Performance | Carried forward to 2023/24 Plan |
| 19. | Cyber Resilience and Threat Management<br>(**Risk**: Secure IT networks) | Communities and Performance | Carried forward to 2023/24 Plan |
| 20. | City Region Deal<br>(**Risk**: Failure to deliver City Region Deal) | Infrastructure and Environment | Carried forward to 2023/24 Plan |
| 21. | Benefits Tracking - Transformation and Budget Savings<br>(**Risk**: Failure to deliver services within the agreed and balanced revenue budget) | Finance | Carried forward to 2023/24 Plan |
| 22. | Commissioning of Children's Social Work Services<br>(**Risk**: Unable to commission appropriate external Social Care services) | Children and Families | Carried forward to 2023/24 Plan |

**Appendix 2**

## Definition of Assurance Categories

| Level of Assurance | Definition |
|---|---|
| **Comprehensive assurance** | Sound systems for risk management, governance, and control are in place. These should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required. |
| **Substantial assurance** | The systems for risk management, governance, and control are largely satisfactory. There is, however, some scope for improvement as the current arrangements could undermine the achievement of business and / or control objectives and leave them vulnerable to risk of error or abuse. |
| **Limited assurance** | The systems for risk management, governance, and control have some satisfactory aspects. However, they contain a number of significant weaknesses that are likely to undermine the achievement of business and / or control objectives and leave them vulnerable to an unacceptable risk of error or abuse. |
| **No assurance** | The systems for risk management, governance, and control are ineffectively designed or are operated ineffectively. Business and / or control objectives are not being achieved, and the risk of serious error or abuse is unacceptable. Significant improvements are required. |

**Stirling Council**

Agenda Item No. 8

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# 2022/23 Risk Management Policy and Plan

## Purpose

This report seeks the Committee's approval of a revised Risk Management Policy.

It also sets out a summary of the Risk Management team's planned activity for 2023/24. Delivery of the actions set out in this Plan will help ensure that effective risk management becomes embedded strategically and operationally across all Council Services.

Risk Management sits within the Governance Service as part of the Internal Audit, Risk and Corporate Fraud team and this report should be considered alongside the 2023/24 Counter Fraud Plan that is included elsewhere on this agenda and the Internal Audit Plan approved by the Committee at its meeting on 30 March 2023.

## Recommendations

The Audit Committee is asked to:

1. approve the revised Risk Management Policy; and
2. note the proposed work set out in the 2023/24 Risk Management Plan.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Internal Audit, Risk and Corporate Fraud team is to provide the Audit Committee with independent assurance on the adequacy of the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit, Risk and Corporate Fraud team aims to reduce or mitigate risk to which the Council may be exposed.

Consideration of this report enables the Committee to discharge its remit under the Council's Scheme of Delegation to consider the adequacy and effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud arrangements. It also allows the Committee to discharge its responsibility for monitoring the effective development and operation of arrangements for the management of risk in the Council.

# 1. Background

1.1. The Risk Management function is part of the Internal Audit, Risk and Corporate Fraud team within the Governance Service. Within the terms of the Chief Executive's Scheme of Sub-Delegation the Chief Officer – Governance is responsible for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management service. The Chief Officer – Governance has delegated authority for managing the Council's Strategic Risk Register to the Audit Service Manager.

1.2. A Risk Management Coordinator was appointed in February 2023, reporting to the Audit Service Manager. This re-graded post replaces the previous Threat and Risk Officer post, which had been vacant since July 2022.

1.3. Successful recruitment of a qualified and experienced Risk Management Coordinator has presented the opportunity to develop a structured workplan for 2023/24 and to review and update the Risk Management Policy.

1.4. The previous version of the Risk Management Policy was approved by Council on 24 June 2021 and a revised Risk Management Policy is attached at **Appendix 1**. The revised Policy seeks to better articulate responsibilities and accountabilities.

1.5. A Risk Management Plan for 2023/24 is attached at **Appendix 2**. This sets out a summary of the actions planned to help further embed effective risk management as business as usual across all Services. The Plan is challenging but realistic, and actions are time-bound. Progress will be reported to the Audit Committee over the remainder of 2023/24.

# 2. Considerations

**Risk Management Policy**

2.1 Effective risk management is a key element of any decision making process. The identification, management and mitigation of risk must, therefore, be embedded as business as usual. It must not be a stand-alone process and must link closely with performance management, decision making and the maintenance of a robust and proportionate framework of control.

2.2 To be effective, all staff must take responsibility for managing and mitigating risk. ISO 31000: 2018 on Risk Management defines risk as 'the effect of uncertainty on objectives'. This is consistent with the HM Treasury Orange Book on Risk Management (2020) which stresses the importance of good risk management as an integral part of organisational governance and leadership.

2.3 The Council approved the previous version of the Risk Management Policy at its meeting on 24 June 2021. While some of the key elements of that Policy remain relevant, the opportunity has been taken to update the Policy by better linking it to the best practice referenced in the previous paragraph and to more clearly articulate responsibilities (for completion of tasks) and accountabilities (for ownership and delivery of Policy objectives).

2.4 An updated Policy is attached at **Appendix 1**. A more operational procedural document has also been developed and this will be shared by the Risk Management Coordinator as he engages with officers from across all Services in the coming weeks and months. Should Members chose to approve the updated Risk Management Policy it will be added to the on-line Policy Register and be subject to two yearly review and re-submission to the Audit Committee.

**Risk Management Plan**

2.5 Review of the Risk Management Policy and development of operational risk management guidance are two key actions set out in the Risk Management Plan 2023/24 attached at **Appendix 2**. This Plan provides the roadmap to delivering the overarching aim of embedding risk management as business as usual across all Services.

2.6 The Policy is clear that 'all employees have a responsibility to effectively manage risk'. The Chief Officer – Governance is responsible for ensuring that the Council has a professional and objective risk management service and the Audit Service Manager and Risk Management Coordinator are responsible for keeping the Council's risk management framework up to date and for establishing a programme of training and development.

2.7 The Risk Management Plan must be challenging, but realistic, deliverable and timebound. The Plan attached at **Appendix 2** is set out under 5 broad headings:

**Policy and Risk Framework**

Fundamental to the embedding of effective risk management. This workstream focusses on update of Policy and procedures, development of a communications plan and a review of the extent to which the requirement for effective risk management is embedded within the Council's wider Local Code of Corporate Governance.

| **Strategic Risk Management** | **Operational Risk Management** |
|---|---|
| The Risk Management Coordinator will continue to work with Services to ensure that the Strategic Risk Register remains relevant and up to date.<br><br>Work will also be done to better link the risk management and service planning processes. | The Risk Management Coordinator will work with Services to review and update operational risk registers. This will include making sure that all risk registers are managed via the corporate risk and performance system and developing risk management performance measures. |

| Training and Engagement | Risk Management Consultancy |
|---|---|
| Attendance at Service management meetings and operational team meetings will help inform the development of a targeted and longer term risk management training plan.<br><br>This will include e-learning and the development of induction material for new staff. | Horizon scanning for new risks and the development of an assurance mapping model in conjunction with Internal Audit colleagues.<br><br>Providing risk management consultancy services and input on strategic and corporate projects. An early example of this is the Risk Management Coordinator's involvement as an adviser to the Forthside Project Strategic Board. |

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 There are no direct climate change, sustainability, or environmental impacts as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1. EqSIA Screening.

4.1 Report: Risk Management Policy: Stirling Council 24 June 2021 and relevant minute of the meeting.

## 5. Appendices

5.1. Appendix 1 – Draft Risk Management Policy.

5.2. Appendix 2 – Risk Management Plan 2023/24.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 9 May 2023 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s), Portfolio Holder and Depute Portfolio Holders (as appropriate) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | N/A |
| Key Priorities | All |
| Stirling Plan Priority Outcomes: | All |

Stirling Council

# Risk Management Policy

May 2023

www.stirling.gov.uk

**Appendix 1**

## Policy Statement

All employees are responsible for considering and effectively managing risk when making decisions about maintaining, improving or transforming Council services and when presenting information and options to Council and decision making committees.

Risk can never be fully eliminated. A structured and pragmatic approach to managing risk must be adopted taking account of the potential likelihood and impacts associated with risk. This Policy sets an overarching framework focussing on responsibilities and accountabilities in relation to the management of risk. Detailed operational procedures have been developed to help ensure delivery of Policy objectives.

This Policy forms part of the Council's wider Local Code of Corporate Governance and application of the Policy and associated procedures is mandatory across all Council Services.

## 1. Definition and Characteristics of Risk Management

1.1 ISO 31000:2018 on Risk Management defines risk as 'the effect of uncertainty on objectives'.

1.2 The HM Treasury Orange Book (2020) defines the following five elements as being the constituent parts of an effective risk management framework:

- it is an essential part of governance and leadership and fundamental to how the organisation is managed and controlled;
- it shall be an integral part of all organisational activities to support decision-making in achieving objectives;
- it shall be collaborative and informed by the best available information and expertise;
- it shall be structured to include identification, assessment and risk treatment, monitoring and reporting; and
- it shall be continually improved through learning and experience.

1.3 Effective risk management is the responsibility of all employees. It is an iterative, ongoing process rather than a stand-alone task and collaboration in the identification and management of risk is key. Effective risk management must be embedded in business as usual across all Council Services.

1.4 The risk management process cannot fully eliminate all risks. However, it will contribute to mitigating specific risks to a tolerable level.

1.5 These definitions and characteristics should be borne in mind when reading this Policy.

## 2. Risk Management Objectives

2.1 Section 9 of the Council's Financial Regulations summarises the Council's requirements for risk management. The objectives of effective risk management are as follows:

- to identify the significant strategic risks facing the Council and the potential impact of these risks;
- to identify the significant operational risks facing Services and the potential impact of these risks;

- to analyse and evaluate all identified risks using an agreed, systematic and pragmatic risk assessment approach;

- to put in place controls to minimise the likelihood of the event occurring and / or reduce its impact should it occur;

- to ensure that opportunities are maximised and that risks impacting on these opportunities are managed and minimised;

- to monitor risks and controls and ensure that changes are proactively assessed, documented and applied; and

- to integrate risk management into the day-to-day activities of all Council employees through training, awareness raising and the dissemination of clear and proportionate operational guidance.

## 3. Risk Management Responsibilities and Accountabilities

3.1 The table below sets out key responsibilities and accountabilities in relation to the management of risk. Operational responsibilities are set out in separate risk management procedures.

- **Responsibility:** for completion of activities and tasks.

- **Accountability:** for ownership and delivery of Policy objectives.

| Group / Individual | Responsibilities and accountabilities |
|---|---|
| Chief Executive Officer | **Accountable** to Council for the operation of an effective risk management framework across all Council Services. |
| Chief Officer - Governance | **Responsible** for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management service as per section G6 of the Chief Executive's Scheme of Sub-Delegation.<br><br>Operationally **accountable** to the Chief Executive and functionally **accountable** to the Audit Committee in relation to this delegation. |
| Audit Service Manager | **Responsible** for managing the Council's Strategic Risk Register as per section G41 of the Chief Executive's Scheme of Sub-Delegation.<br><br>**Accountable** to the Chief Officer – Governance in relation to this delegation. |
| Risk Management Coordinator | **Responsible** for establishing formal strategic and operational risk management arrangements that are aligned to good practice as per job description for this post.<br><br>**Accountable** to the Audit Service Manager in relation to these responsibilities. |

**Appendix 1**

| Group / Individual | Responsibilities and accountabilities |
|---|---|
| Council Management Team | **Responsible** for ensuring that the Council manages risk effectively in line with this Policy and core values, as per section 9 of the Council's Financial Regulations. |
| Chief Operating Officers / Chief Officers / Heads of Service | **Responsible** for ensuring that the risks generated by or likely to impact on their Service and the Council corporately are managed effectively, specifically through the maintenance of a Strategic Risk Register and a series of operational risk registers. As per section 9 of the Council's Financial Regulations.<br><br>**Accountable** to the Chief Executive, via the Chief Officer – Governance, in relation to these responsibilities. |
| Service Managers | **Responsible** for managing risk effectively in their service area as per section 9 of the Council's Financial Regulations.<br><br>**Accountable** to the relevant Chief Operating Officer / Chief Officer / Head of Service in relation to this responsibility. |
| All employees | **Responsible** for managing risk effectively in their jobs, as per section 9 of the Council's Financial Regulations.<br><br>**Accountable** to the relevant Service Manager in relation to this responsibility. |
| Operational Governance Board | **Responsible** for monitoring, reviewing and / or providing decisions on emerging risks to business as usual activities that meet escalation thresholds and for considering risk management related matters as a standing agenda item (by exception). As per the agreed Terms of Reference of the group.<br><br>**Accountable** to the Corporate Management Team in relation to these delegated responsibilities. |
| Audit Committee | **Responsible** for providing independent assurance to Council on the adequacy of arrangements for risk management, governance and control, in line with the remit and delegations to the Audit Committee as per Appendix 5a of the Council Scheme of Delegation.<br><br>**Accountable** to Council in relation to this delegation. |

## 4. Policy review

This Policy will be subject to review every two years.

**APPENDIX 2**

## Risk Management Plan 2023/24

| Workstream 1: Policy and Risk Framework | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Risk Management Policy. | Review and update of the Council's Risk Management Policy and seek approval from Audit Committee. | May 2023<br><br>Chief Officer -Governance / Audit Service Manager / Risk Co-ordinator |
| Risk Management procedures. | Review and update Risk Management procedures. | July 2023<br><br>Audit Service Manager / Risk Coordinator |
| Promotion of Risk Management Policy and procedures. | Develop a communications plan to ensure Risk Management Policy and procedures are available to Council staff. | July 2023<br><br>Audit Service Manager / Risk Co-ordinator |
| Operational Risk Management group. | Assess the need for, and specific role of, an officer group with the broad aim of embedding risk management processes. | October 2023<br><br>Audit Service Manager / Risk Co-ordinator |

| Workstream 2: Training and Engagement | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Risk Management planning | Review and updated detailed Risk Management Plan. | May 2023<br><br>Audit Service Manager / Risk Coordinator |
| Service engagement. | Attend Service team meetings to raise awareness and provide support on strategic and operational risk. | Plan and approach by July 2023. Ongoing attendance thereafter.<br><br>Risk Coordinator |
| Training needs assessment. | Assessment of need and means of delivery, in conjunction with Services. | August 2023<br><br>Risk Coordinator |

**APPENDIX 2**

| Workstream 2: Training and Engagement | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Training materials. | Develop training materials for induction, Service and other training. | March 2024<br><br>Risk Coordinator |
| Use of technology | Develop use of Pentana, the corporate performance and risk system, to support risk management processes. | March 2024<br><br>Risk Coordinator |

| Workstream 3: Strategic Risk Management | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Further development and maintenance of the Strategic Risk Register. | Facilitate and co-ordinate adjustments, additions and deletions to / from the Strategic Risk Register | Monthly<br><br>Audit Service Manager / Risk Coordinator |
| Alignment of strategic and operational risk registers. | Ensure alignment of strategic and operational risk registers and clear escalation and de-escalation process. | Approach by July 2023, ongoing thereafter<br><br>Risk Coordinator |
| Embedding of risk management within Service planning | Explore options for better aligning Service planning and risk management processes. | December 2023<br><br>Audit Service Manager / Risk Coordinator |

**APPENDIX 2**

| Workstream 4: Operational Risk Management | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Review of operational risk registers. | In conjunction with Services identify, review and update operational risk registers. | September 2023<br><br>Risk Coordinator |
| Interdependencies. | Identify interdependencies between risks and ensure that these are properly reflected in operational risk registers. | December 2023<br><br>Risk Coordinator |
| Development of key risk indicators and dashboards. | Work with Services to develop measures and indicators. | March 2024<br><br>Risk Coordinator |

| Workstream 5: Risk Management Consultancy | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Horizon scanning for emerging risks. | Continuously scan for risks that may have a future impact on the Council. | Commencing May 2023 and ongoing thereafter<br><br>Audit Service Manager / Risk Coordinator |
| Assurance mapping | Development of assurance mapping approach across Internal Audit, Risk and Corporate Fraud team.<br><br>Aim is to map all sources of internal and external assurance against Strategic Risk Register. | March 2024<br><br>Audit Service Manager / Risk Coordinator / Internal Audit Team Leader / Counter Fraud Officers |
| Consultancy / advice work | Provide input on strategic and corporate projects and programmes | Commencing May 2023 and ongoing thereafter<br><br>Audit Service Manager / Risk Coordinator |

**Stirling Council**

Agenda Item No. 9

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Corporate Fraud Plan and Update

## Purpose

The purpose of this report is to provide the Audit Committee with a summary of the Corporate Fraud team's planned activity for 2023/24 and a summary of recent and ongoing work, to enable the Committee to carry out its role in terms of the Scheme of Delegation.

The Corporate Fraud function sits within the Governance Service as part of the Internal Audit, Risk and Corporate Fraud team and this report should be considered alongside the 2023/24 Risk Management Plan that is included elsewhere on this agenda and the Internal Audit Plan approved by the Committee at its meeting on 30 March 2023.

## Recommendations

The Audit Committee is asked to:

1. note the proposed work set out in the 2023/24 Corporate Fraud Plan; and
2. take assurance from recent and ongoing Corporate Fraud work.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Internal Audit, Risk and Corporate Fraud team is to provide the Audit Committee with independent assurance on the adequacy of the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit, Risk and Corporate Fraud team aims to reduce or mitigate risk to which the Council may be exposed.

Consideration of this report enables the Committee to discharge its remit under the Council's Scheme of Delegation to consider the adequacy and effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud arrangements. It also allows the Committee to discharge its responsibility for receiving and considering periodic reports on fraud and irregularity.

# 1. Background

1.1. The Corporate Fraud function is part of the Internal Audit, Risk and Corporate Fraud team within the Governance Service. Within the terms of the Chief Executive's Scheme of Sub-Delegation the Chief Officer – Governance is responsible for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management service. The Chief Officer – Governance has delegated authority for managing the Council's Corporate Fraud function to the Audit Service Manager.

1.2. An overarching Counter Fraud Strategy was considered by the Audit Committee at its meeting on 2 September 2021 and a detailed Procedure for Investigating Corporate Fraud Referrals sets out the team's processes for investigating allegations of fraud.

1.3. On an annual basis the Audit Service Manager presents an annual Corporate Fraud Plan to the Audit Committee. This sets out the planned activity of the team across four workstreams, namely Development, Fraud Prevention, Proactive Fraud Work and Fraud Investigation. The 2023/24 plan is attached at Appendix 1.

# 2. Considerations

**Corporate Fraud Plan**

2.1 Annual Corporate Fraud Plans have previously been considered by the Audit Committee at its meetings on 27 May 2021 and 25 August 2022.

2.2 These plans provide a structured and time bound approach to the development and management of the team's role and help protect the Council against the risk of fraud.

2.3 As with the Internal Audit and Risk Management Plans the Corporate Fraud Plan must be challenging, but realistic, deliverable and time bound. The Plan attached at Appendix 1 is set out under 4 headings, summarised below:

| **Development** | **Fraud Prevention** |
|---|---|
| This will include a review of counter fraud governance documents and the identification of training for the Counter Fraud Officers to ensure their skills remain in line with best practice.<br><br>Intranet and internet content will be reviewed and updated. | Fraud prevention materials will be redesigned and counter fraud toolbox talk and on-line training resources will be reviewed and updated.<br><br>Other channels for communicating a counter fraud message will be identified and utilised. |
| **Proactive Fraud Work** | **Fraud Investigation** |
| The Counter Fraud Officers will work with the Risk Management Coordinator to develop an approach to fraud risk assessment. This will inform the targeting of counter fraud resource at areas of greatest risk.<br><br>Work on coordinating the National Fraud Initiative will be progressed as a priority. | The Counter Fraud Officers will continue to risk assess and investigate referrals received from within and out with the Council.<br><br>Recommendations arising from previous fraud investigations will be followed up to ensure that any identified weaknesses in internal control are addressed. |

2.4 Updates on progress with the actions set out in the Corporate Fraud Plan will be reported to the Audit Committee over the course of 2023/24.

**Recent and Ongoing Work**

**Reporting to the Procurator Fiscal**

2.5 Since the last Counter Fraud Update report to the Audit Committee in October 2022 the Audit Service Manager has arranged for the Counter Fraud Team to be registered with the Crown Office and Procurator Fiscal Service as a Specialist Reporting Agency (SRA). Registration as an SRA allows the Audit Service Manager and the two Counter Fraud Officers to report the results of enquiries where there is evidence of criminal activity directly to the Procurator Fiscal via a secure portal.

2.6 Direct reporting requires enquiries to be documented and prepared to a standard that would be admissible in court. On that basis the team now has access to specialist interview recording equipment and a suite of documentation and letters has been developed to ensure that enquiries are prepared to the required standard.

2.7 To date, one report has been made to the Procurator Fiscal by the Counter Fraud Officers. This related to an enquiry into an issue relating to landlord registration. A number of other enquiries are underway which may result in reports to the Procurator Fiscal.

**Collaboration with Housing Service**

2.8 Not all enquiries undertaken by the team result in referral to the Procurator Fiscal and a number of recent enquiries have involved close and productive working with other Council Services. As an example, Counter Fraud Officers have worked with Housing Officers to recover two Council properties where it was alleged that the named tenant was residing elsewhere. This work helps to ensure that properties are returned to the housing stock for allocation to individuals and families in need of suitable accommodation.

2.9 It also results in financial savings to the Council. As a guide the Tenancy Fraud Forum attach a notional savings figure of £42k to each property recovered while equivalent figure of £78.3k is used by the Cabinet Office, who co-ordinate the National Fraud Initiative (NFI).

**National Fraud Initiative**

2.10 The NFI is a bi-ennial data matching exercise co-ordinated in Scotland by Audit Scotland on behalf of the Cabinet Office. Public bodies are required to submit data in relation to, for example, creditors payments, housing tenants, licence holders, benefits and payroll. Data matching professionals analyse and cross check this to data submitted by other public bodies. The results of that data matching exercise are then made available to public bodies via a secure portal.

2.11 Stirling Council is required to participate in this exercise. On 31 January 2023 a total of 3,259 individual matches were made available to the Council's Counter Fraud Officers, with 180 being marked as high risk and 561 as medium risk. Since receipt of the matches the Counter Fraud Officers been working with Services to ensure that all high and medium risk matches are followed up and investigated. This work is ongoing and a more detailed position statement will be included in the next Corporate Fraud Update report to the Audit Committee. In summary, however, 913 matches have been fully investigated, with no fraud or error identified.

**National Fraud Initiative – Enhanced Matching**

2.12 The Council also participates in an optional NFI exercise in relation to the identification of wrongly claimed Council Tax Single Person Discount. This exercise matches Council Tax records with Electoral Roll and credit reference data to identify any properties in receipt of Single Person Discount but where there appears to be more than one adult resident.

2.13 The Counter Fraud Officers have analysed the matches arising from this exercise and letters have been sent to c140 properties where the data matching exercise has identified a high risk of fraud or error. The emerging results from the exercise, including the financial savings arising as a result of the recovery of wrongly claimed discount and the adjustment of future bills, will also be included in the next Corporate Fraud Update report.

**Energy Bills Support Scheme**

2.14 One of the Counter Fraud Officers is currently supporting the Revenues and Benefits team within the Finance Service in relation to the administration of the Energy Bills Support Scheme. Revenues and Benefits officers are responsible for the administration and processing of applications, with the Counter Fraud Officer undertaking additional checks to minimise the risk of fraudulent claims. This builds on similar joint working during the Covid pandemic where the Counter Fraud Officers had a key role in mitigating the risk of fraudulent claims to the various grant schemes in place at that time.

**Fraud Risk Management**

2.15 In March 2023 the Risk Management Coordinator post within the Internal Audit, Risk and Corporate Fraud team was filled after a period of vacancy. Since taking up post, the Risk Management Coordinator and Counter Fraud Officers have commenced a fraud risk assessment exercise.

2.16 The aim of this work is to help protect the organisation by focussing fraud prevention work, such as fraud awareness training and toolbox talks, in areas of highest risk. To assist with this the Counter Fraud Officers are working with Communication team colleagues to design and roll out updated fraud awareness materials such as posters and social media presence.

2.17 The Corporate Fraud Plan at Appendix 1 seeks to maintain the momentum that has been built across all four workstreams with the aim of helping make Stirling Council a less attractive target for those looking to perpetrate fraud, and to provide assurance to the Audit Committee in relation to actions being taken to achieve that aim.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 There are no direct climate change, sustainability, or environmental impacts as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Corporate Fraud Plan, Audit Committee Meeting 27 May 2021 and relevant minute of the meeting.

4.3 Corporate Fraud Update, Audit Committee Meeting 2 September 2021 and relevant minute of the meeting.

## 5. Appendices

5.1 Appendix 1 – Corporate Fraud Plan 2023/24.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 11 May 2023 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s), Portfolio Holder and Depute Portfolio Holders (as appropriate) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | N/A |
| Key Priorities | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**APPENDIX 1**

## Corporate Fraud Plan 2023/24

| Workstream 1: Development | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Strategy and Policy. | Review and update existing Counter Fraud Strategy and Whistleblowing Policy for approval by the Audit and Finance, Economy and Corporate Support Committees respectively. | April 2024<br>Audit Service Manager |
| Training for Counter Fraud Officers. | Identify and attend training events on cyber fraud, procurement fraud and areas of emerging fraud risk. | Throughout 2023/24<br>Counter Fraud Officers |
| Intranet and internet. | Review and update intranet and internet content focussing on key messages and means of referral. | September 2023<br>Counter Fraud Officers |
| Benchmarking. | Undertake 6 monthly self-assessments against Scottish Government Counter Fraud Maturity Model. | June and December 2023<br>Audit Service Manager and Counter Fraud Officers |

| Workstream 2: Fraud Prevention | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Fraud prevention materials. | Work with Communication team colleagues to redesign, distribute and display fraud prevention materials across the Council's operational estate. | September 2023<br>Counter Fraud Officers |
| Counter fraud training for staff. | Work with Organisational Development colleagues to further develop toolbox talk and on-line counter fraud training resources and to maximise staff uptake. | August 2023<br>Counter Fraud Officers |

**APPENDIX 1**

| Workstream 2: Fraud Prevention | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Tailored fraud awareness training. | Tailor programme of fraud awareness training to align with fraud risk assessment work (part of Proactive workstream). | September 2023<br><br>Counter Fraud Officers |
| Social media (internal and external). | Work with Communication team colleagues to explore potential for using internal and external facing social media for sharing counter fraud messaging. | September 2023<br><br>Counter Fraud Officers |

| Workstream 3: Proactive Fraud Work | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Fraud risk assessments. | Counter Fraud Officers to work with Risk Management Coordinator to identify and prioritise areas of potentially high fraud risk to inform subsequent counter fraud engagement work. | September 2023<br><br>Counter Fraud Officers and Risk Management Coordinator |
| National Fraud Initiative (NFI). | Coordinate NFI data matching exercise via Key Contact role. Progress Council Tax Single Person Discount investigations arising from enhanced matching process. | September 2023<br><br>Audit Service Manager and Counter Fraud Officers |
| External networks. | Continue to proactively engage with Local Authority Internal Audit and counter fraud peer groups. Build working relationships with other relevant partners such as Police Scotland and the Crown Office and Procurator Fiscal's Office. | Throughout 2023<br><br>Audit Service Manager and Counter Fraud Officers |

**APPENDIX 1**

| Workstream 4: Fraud Investigation | | |
|---|---|---|
| **Area of Work** | **Task** | **Planned Completion Date and Responsible Officers** |
| Fraud investigation. | The Counter Fraud Officers will continue to risk assess and investigate referrals received from within and out with the Council. | Throughout 2023/24<br><br>Counter Fraud Officers |
| Recommendation tracking. | Finalise process for tracking recommendations arising from Corporate Fraud reports and commence tracking and verification of Service actions taken. | July 2023<br><br>Audit Service Manager / Counter Fraud Officers |

**Stirling Council**

Agenda Item No. 10

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Public Interest Disclosure (Whistleblowing Policy) Annual Report

## Purpose

The purpose of this report is to present the Monitoring Officer's annual report on concerns brought to her attention through whistleblowing. The requirement to present an annual report to the Audit Committee is set out within the Council's Whistleblowing Policy (the Policy). The Policy was approved by the then Finance and Economy Committee on 25 November 2021.

## Recommendations

The Audit Committee is asked to:

1. take assurance from the contents of this Public Interest Disclosure (Whistleblowing Policy) Annual Report.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The Public Interest Disclosure Act 1998 is the relevant legislation which seeks to protect individuals who make certain disclosures of information in the public interest and allows such individuals to bring action in respect of victimisation. Although the law does not require employers to have a Whistleblowing Policy in place, its existence is good practice and demonstrates a commitment to listening to the concerns of staff. The Policy provides assurance that the Council complies with the law when a qualifying disclosure is made.

Consideration of this report enables the Audit Committee to discharge its remit under the Council's Scheme of Delegation to monitor the effective development and operation of whistleblowing arrangements.

# 1. Background

1.1. The Policy was approved by the then Finance and Economy Committee on 25 November 2021. Section 7 of the Policy provides that:

1.1.1. *The Monitoring Officer will maintain a corporate register of all concerns that are brought to their attention through whistleblowing*.

1.1.2. *The Monitoring Officer will review the corporate register and produce an annual report for the Council's Audit Committee. The report will include a summary of the concerns raised, to which Service they related and any lessons learned*.

# 2. Considerations

2.1 In terms of the Policy, a disclosure will only be considered to be *a protected disclosure* where the worker makes that disclosure believing it to be in the public interest and that they reasonably believe that:

- a criminal offence has been committed, is being committed, or is likely to be committed;
- a person has failed, is failing, or is likely to fail to comply with any legal obligation to which they are subject;
- a miscarriage of justice has occurred, is occurring, or is likely to occur;
- the health or safety of any individual (including clients) has been, is being, or is likely to be endangered;
- the environment has been, is being, or is likely to be damaged; or
- deliberate concealment of information relating to any of the above.

2.2 In addition, the Policy is clear that it does not replace either the Grievance Policy or the Complaints Handling procedures.

2.3 In the year to 31 December 2022 six anonymous disclosures were made to the Monitoring Officer. The Monitoring Officer assessed these and determined that five fell within the terms of the Whistleblowing Policy.

2.4 Of these, two related to the Education Service, two to Environment and Place within the Infrastructure and Environment Service and one related to Housing within the Communities and Performance Service. All were logged in line with the Policy and all were subject to fact finding and investigative work, mainly carried out by the Counter Fraud Officers in the Governance Service. In three instances the allegations raised were not substantiated. In the remaining two cases appropriate reporting and improvement work was initiated and undertaken by the relevant service.

# 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 There are no direct climate change, sustainability, or environmental impacts as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Whistleblowing Policy: Finance and Economy Committee Meeting 25 November 2021 and relevant minute of meeting.

## 5. Appendices

5.1 None.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 12 May 2023 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s), Portfolio Holder and Depute Portfolio Holders (as appropriate) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | N/A |
| Key Priorities | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**Stirling Council**

Agenda Item 11

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Audit Committee Annual Report 2022-23

## Purpose

The purpose of this report is to present the Audit Committee Annual Report 2022-23 (the 'Annual Report') to the Committee in order that the report can be referred to Council to provide assurance on the performance of the Audit Committee in terms of its delegated functions, as set out in the Council's Scheme of Delegation.

Preparation of the Annual Report enables the Audit Committee to comply with the best practice guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in its publication entitled 'Audit Committees: Practical Guidance for Local Authorities and Police (2013)' (the 'guidance') and subsequent 'Position Statement: Audit Committees in Local Authorities and Police (2022)' (the 'position statement').

The guidance and position statement require the Audit Committee to report annually on how it has complied with the guidance and position statement and how it has discharged its responsibilities as set out in the Council's Scheme of Delegation.

## Recommendations

The Audit Committee is asked to:

1. take assurance from the Audit Committee Annual Report 2022-23 at Appendix 1; and
2. approve the submission of the Annual Report to the meeting of the Council on 5 October 2023.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

Appendix 5a of the Council's Scheme of Delegation ('Remit and Delegations to the Audit Committee') requires the Audit Committee to provide independent assurance on the adequacy of arrangements for risk management, governance and control.

The Scheme of Delegation also requires the Audit Committee to prepare and refer to Council an annual report on the performance of the Committee in terms of its delegated functions.

Preparation of the Audit Committee Annual Report also ensures compliance with the CIPFA guidance and position statement.

# 1. Background

1.1. CIPFA's guidance and position statement set out its view of best practice for Audit Committees in local authorities and on the role and functions of an Audit Committee.

1.2. The Audit Committee has prepared an Annual Report with information on the performance and discharge of its remit and functions since 2015/16.

# 2. Considerations

2.1. CIPFA's guidance and position statement require that Audit Committees report annually on how they have discharged their responsibilities.

2.2. At its meeting on 3 September 2015 the Audit Committee agreed that each year the Audit Service Manager should prepare an Audit Committee Annual Report, in consultation with the Convener.

2.3. A draft Audit Committee Annual Report for 2022-23 is attached at Appendix 1. This contains information on:

2.3.1. Audit Committee membership and meetings held during the year;

2.3.2. summaries of Audit Committee activity and decisions; and

2.3.3. an annual assurance statement to the Council.

2.4. Following this meeting, and subject to approval by the Audit Committee, the Audit Service Manager will present the Annual Report to the meeting of the Council on 5 October 2023.

# 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required.

### Climate Change, Sustainability and Environmental Impact

3.2 There are no direct climate change, sustainability, or environmental impacts as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Audit Committee Annual Report and Self-Assessment, Audit Committee, 3 September 2015 and relevant minute of the meeting.

## 5. Appendices

5.1 Appendix 1 – Audit Committee Annual Report 2022-23.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |
| Steven McDermott | Internal Audit Team Leader | 01786 233379<br>mcdermotts@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer – Governance | 1 May 2023 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | N/A |
| Key Priorities | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**Appendix 1**

# Stirling Council
# Audit Committee Annual Report
# 2022-23

Draft for Audit Committee Approval

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# Contents


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## 1. Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) published recommended best-practice guidance for the operation of Audit Committees in local authorities across the United Kingdom in its publication entitled 'Audit Committees: Practical Guidance for Local Authorities and Police (2013)' (the 'guidance'); and in its subsequent 'Position Statement: Audit Committees in Local Authorities and Police (2022)' (the 'position statement').

The guidance and position statement have been adopted by the Council as an integral element of its corporate governance framework, which is set out in the Council's Local Code of Corporate Governance. The Council has committed to ensuring that the remit, function and operation of its Audit Committee complies with the guidance and the position statement.

A key element of the guidance is that an Audit Committee should be held to account on a regular basis. In practice within Stirling Council this means accountability to full Council. The guidance recommends that the preparation of an annual report by the Audit Committee can be a helpful way to enable the Committee to demonstrate its accountability to the Council.

## 2. Audit Committee Remit and Delegations

The remit and delegations to the Audit Committee derive from the decision made by Stirling Council to establish an Audit Committee and to delegate specific powers to the Committee rather than to reserve those powers to itself.

The current remit and delegations to the Audit Committee are set out in detail in Appendix 5a ('Remit and Delegations to the Audit Committee') of the Council's Scheme of Delegation, effective 07 October 2022.

The core remit of the Audit Committee is to provide independent assurance on the adequacy of the Council's arrangements for risk management, corporate governance and internal control.

The Scheme of Delegation also requires the Audit Committee to prepare and refer to Council an annual report on the performance of the Committee in terms of its delegated functions.

This Annual Report has been prepared to:

- meet the requirements of the CIPFA guidance and position statement;
- meet the requirements of the Council's Scheme of Delegation;
- ensure that the Committee clearly reports to the Council on the adequacy of the Council's risk management, corporate governance and internal control arrangements; and
- inform the Council about the Committee's activity and performance during and in respect of financial year 2022-23.

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## 3. Audit Committee Membership and Meetings

### Audit Committee Membership

In May and June 2022 Council appointed the following elected members to the Audit Committee:

- Councillor Scott Farmer (Convener)
- Councillor Neil Benny
- Councillor Graham Houston (until December 2022)
- Councillor Alasdair Tollemache
- Councillor Rosemary Fraser (Vice-Convener)
- Councillor Paul Henke
- Councillor Chris Kane

Following the death of Councillor Houston in December 2022 there remained a vacancy on the Audit Committee until May 2023. At its meeting on 04 May 2023 the Council appointed Councillor Thomson to the Audit Committee.

Quorum for the Audit Committee is four Members.

### Audit Committee Meetings and Attendance

The Audit Committee met on four occasions during 2022-23: on 25 August and 27 October 2022 and on 19 January and 30 March 2023. The meeting on 08 June 2023 also received relevant reports for the 2022-23 financial year. All Committee meetings took place in compliance with the Council's Scheme of Delegation and Standing Orders. Since August 2022 meetings have been held using the Council's hybrid meeting platform to allow remote and physical participation. Meetings have been live-streamed and made available publicly on the Council's live streaming website.

## 4. Audit Committee Activity and Performance

The Audit Committee Annual Report enables the Committee to clearly demonstrate delivery of its key responsibilities and accountabilities for providing the Council with independent assurance on the adequacy of arrangements for risk management, governance and internal control.

The Committee performed its scrutiny work during, and in relation to, 2022-23 by receiving, considering, scrutinising and following up the outcomes from reports from various assurance providers, including:

- Internal Audit;
- Risk Management;
- Accounting Operations; and
- Corporate Fraud;
- External Audit;
- Regulatory or assurance bodies.

Copies of the Audit Committee agenda papers for the current meeting cycle and approved Minutes of meetings of the Audit Committee are available to the public on the Council's website.

### Internal Audit and Corporate Fraud

The Committee received 35 reports and other outputs from the Audit Service Manager and Chief Officer – Governance in relation to planned and unplanned audits, other annual assurance work and counter-fraud activity.

This enabled the Committee to oversee the work of Internal Audit and Corporate Fraud in relation to the provision of assurance on the Council's framework of arrangements for risk management,

corporate governance and internal control and in terms of corporate counter-fraud arrangements. Details of the Internal Audit and Corporate Fraud reports and other outputs considered during, or in relation to, 2022-23 are set out in Tables 1 and 2 below.

**Table 1 – Internal Audit Reviews and Reports**

| Audit Report | Committee Date | Internal Audit Assurance Level | Recommendations | | | |
|---|---|---|---|---|---|---|
| | | | High | Med | Low | Total |
| **1.** Building Security | 25 Aug 2022 | Substantial / Limited / None [1] | 7 | 0 | 0 | 7 |
| **2.** Equality Act Arrangements | 25 Aug 2022 | Substantial / Limited / None [1] | 2 | 3 | 2 | 7 |
| **3.** Public Protection Governance | 25 Aug 2022 | Substantial | 0 | 5 | 0 | 5 |
| **4.** Capital Programme | 25 Aug 2022 | Limited | 4 | 4 | 2 | 10 |
| **5.** Forth Valley & Lomond LEADER: (Programme Closedown) | 25 Aug 2022 | Comprehensive | 0 | 0 | 0 | 0 |
| **6.** Local Code of Corporate Governance (2021/22) | 27 Oct 2022 | Substantial | 0 | 0 | 0 | 0 |
| **7.** Water Quality in Council Buildings | 19 Jan 2023 | Substantial / Limited [1] | 5 | 2 | 3 | 10 |
| **8.** Data Protection / Freedom of Information & Environmental Impact Requests | 19 Jan 2023 | Substantial | 1 | 4 | 4 | 9 |
| **9.** Clackmannanshire and Stirling Integration Joint Board 2021/22 – Strategic Commissioning Plan [2] | 30 Mar 2023 | Limited | 6 | 2 | 0 | 8 |
| **10.** Food Standards | 30 Mar 2023 | Substantial | 0 | 0 | 0 | 0 |
| **11.** Fuel Storage – Springkerse and Callander Depots | 30 Mar 2023 | Limited | 9 | 7 | 2 | 18 |
| **12.** Licensing (Civic) | 08 June 2023 | Substantial | 2 | 7 | 3 | 12 |
| **13.** Payroll: Overtime | 08 June 2023 | Substantial | 0 | 4 | 2 | 6 |
| **14.** Local Code of Corporate Governance (2022/23) | 08 June 2023 | Substantial | 0 | 0 | 0 | 0 |
| **15.** Housing Contract Management | 08 June 2023 | Substantial / Limited | 3 | 1 | 0 | 4 |
| **Total** | | | **39** | **39** | **18** | **96** |

Notes:

1. Internal Audit provided separate levels of assurance in relation to specific audit objectives and the related controls in place for these audited areas to better reflect the findings of each audit review.
2. Audit report prepared and issued in line with the grading system used by the Chief Internal Auditor to the Integration Joint Board. The 6 ‘Grade 1’ and 2 ‘Grade 2’ ratings are equivalent to the Council’s ‘High’ and ‘Medium’ ratings, respectively.

**Table 2 – Other Internal Audit and Corporate Fraud Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **16-17.** Internal Audit Annual Plans 2022/23 and 2023/24 | 25 Aug 2022<br>30 Mar 2023 | To report the draft Internal Audit Annual Plans for 2022/23 and 2023/24 for approval.<br>The Committee approved the Internal Audit Annual Plans. |
| **18-22.** Internal Audit Update Reports | 25 Aug & 27 Oct 2022<br>19 Jan, 30 Mar & 08 Jun 2023 | To report the progress made by the Internal Audit team with delivery of the approved Annual Audit Plan for 2022/23.<br>The Committee took assurance from Internal Audit reports and performance. |
| **23.** Action Tracking Update Report | 27 Oct 2022 | To report and verify the progress made by Services in implementing agreed audit actions by their target date(s) and provide an analysis of outstanding 'high priority' actions.<br>The Committee took assurance from the position in relation to action tracking work. |
| **24-25.** Internal Audit Annual Assurance Reports 2021/22 and 2022/23 | 25 Aug 2022<br>08 Jun 2023 | To report on the work Internal Audit carried out during 2021/22 and 2022/23 and to consider the Internal Audit opinion for the Annual Governance Statements in each year.<br>The Committee noted the Internal Audit Annual Reports and Assurance Statements. |
| **26-27.** Audit Committee Annual Reports 2021/22 and 2022/23 | 27 Oct 2022<br>08 Jun 2023 | To report the draft Audit Committee Annual Reports for 2021/22 and 2022/23.<br>The Committee noted the reports and approved their submission to Council on 08 December 2022 and 05 October 2023, respectively. |
| **28.** ALEOs and Strategically Funded Bodies: Overview of Governance Reporting 2021/22 | 30 Mar 2023 | To report an overview of the governance reporting arrangements for each of the Council's arm's-length external organisations (ALEOs) and other strategically-funded bodies.<br>The Committee took assurance from the ALEO and other strategically funded bodies' governance reporting framework. |
| **29.** Public Interest Disclosure (Whistleblowing Policy) Annual Report | 08 Jun 2023 | To submit the annual report on the Council's Public Interest Disclosure (Whistleblowing Policy) for the year to 31 December 2022.<br>The Committee took assurance from the annual report. |
| **30.** Local Code of Corporate Governance | 25 Aug 2022 | To report the revised Local Code of Corporate Governance to the Audit Committee for consideration and approval.<br>The Committee approved the Council's revised Local Code of Corporate Governance. |

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| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **31.** Internal Audit – External Quality Assessment and Report | 30 Mar 2023 | To report the findings and conclusions from the independent external assessment and report on Stirling Council Internal Audit team's compliance with the Public Sector Internal Audit Standards.<br>The Committee took assurance from the findings and conclusions from the external quality assessment report and Action Plan. |
| **32-33.** Corporate Fraud Plans 2022/23 and 2023/24 | 27 Oct 2022<br>08 Jun 2023 | To report the Corporate Fraud Annual Plans for 2022/23 and 2023/24 for information.<br>The Committee noted the Corporate Fraud Annual Plans. |
| **34-35.** Corporate Fraud Update Reports | 27 Oct 2022<br>08 Jun 2023 | To report the progress made by the Corporate Fraud team with delivery of the Corporate Fraud Annual Plan for 2022/23.<br>To report frauds, losses, thefts or financial irregularities reported to, or investigated by the Corporate Fraud team.<br>The Committee noted progress made in relation to planned work. |

## Accounting Operations

The Committee received reports from the Council's Chief Officer - Finance. This allowed the Committee to oversee the annual accounts process for the Council, for Common Good Funds and for the charitable trusts of which the Council is a trustee. Details of the 4 reports considered are set out in Table 3.

**Table 3 – Accounting Operations Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1.** Stirling Council Audited Accounts 2021/22 | 27 Oct 2022 | To present the Audited Accounts of the Council for 2021/22 for approval for signature.<br>The Committee approved the accounts for signature. |
| **2.** Common Good Funds & Charitable Trusts Audited Accounts 2021/22 | 27 Oct 2022 | To present the Audited Accounts of the Common Good Funds & Charitable Trusts for 2021/22 for approval for signature.<br>The Committee approved the accounts for signature. |
| **3.** Stirling Council Draft (Unaudited) Accounts 2022/23 | 08 Jun 2023 | To present the Council's draft (unaudited) Accounts for 2022/23 for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |
| **4.** Common Good Funds & Charitable Trusts Draft (Unaudited) Accounts 2022/23 | 08 Jun 2023 | To present the Council's draft (unaudited) Accounts for 2022/23 of the Common Good Funds & Charitable Trusts for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |

## External Audit

The Committee received reports from the Council's outgoing and incoming appointed external auditor, Audit Scotland and Deloitte LLP respectively.

The reports from Audit Scotland provided independent assurance and opinions '*to those charged with governance*' on the Council's annual financial statements, annual governance statements, governance arrangements, 'best value' arrangements and service performance. Details of the 3 reports considered are set out in Table 4.

**Table 4 – External Audit Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1.** Annual Report to Those Charged with Governance and the Controller of Audit for the Financial Year ended 31 March 2022.<br>(Report by Audit Scotland) | 27 Oct 2022 | To report on the audit work carried out for the period to 31 March 2022.<br>The Committee noted the content of the independent auditor's report, approved the ISA 580 Letter of Representation and noted significant audit findings and recommendations for improvement. |
| **2.** Charitable Trusts Administered by Stirling Council - Report to those Charged with Governance on the 2021-22 Audit.<br>(Report by Audit Scotland) | 27 Oct 2022 | To report on the work carried out on the financial statements for the year ended 31 March 2022 of the Common Good Funds and of the Council's charitable trusts prepared under the Charities and Trustee Investment (Scotland) Act 2005.<br>The Committee noted the content of the independent auditor's report, approved the ISA 580 Letter of Representation and noted significant audit findings and recommendations for improvement. |
| **3.** Planning Report to the Audit Committee on the 2022/23 Audit<br>(Report by Deloitte LLP) | 08 Jun 2023 | To report the work to be carried out by the external auditor in relation to the audit of the Council's Annual Report and Accounts, in line with the Code of Audit Practice published by Audit Scotland.<br>The Committee considered and noted the External Audit Planning Report. |

## Risk Management

The Committee received reports from the Chief Officer – Governance in relation to risk management. This enabled the Committee to oversee the Council's risk management arrangements. Details of the 5 reports considered are set out in Table 5 overleaf.

**Table 5 – Risk Management Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1-2.** Risk Management Annual Plan 2022/23 and Risk Management Policy and Plan 2023/24 | 25 Aug 2022<br>08 June 2023 | To present the Risk Management Annual Plan for 2022/23 and the Annual Plan for 2023/24 along with an updated Risk Management Policy.<br>The Committee considered and noted the Risk Management Annual Plans.<br>The Committee approved the revised Risk Management Policy. |
| **3-5.** Strategic Risk Register | 25 Aug & 27 Oct 2022<br>19 Jan 2023 | To report on the development of the Council's revised Strategic Risk Register and on its corporate risk management arrangements.<br>The Committee considered and took assurance from the development and revision of the Strategic Risk Register and in corporate risk management arrangements. |

## External Regulatory Bodies & Assurance Providers

The Committee received other reports provided or published by external regulatory bodies and assurance providers, primarily Audit Scotland. These included 'thematic' reports on national issues that the Chief Officer – Governance and the Audit Service Manager considered to be relevant to the Audit Committee's remit and delegations, as set out in the Council's Scheme of Delegation. Details of the 4 reports considered are set out in Table 6.

**Table 6 – External Regulatory and Assurance Reports**

| Regulatory / Assurance Reports | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1-3.**<br>Accounts Commission National Reports (published by Audit Scotland) | | To summarise national reports issued by Audit Scotland on emerging national issues and key recommendations that are relevant to the Council and the Audit Committee and to improve control, risk management and governance arrangements.<br>The Committee noted the reports and their recommendations. |
| | 25 Aug 2022 | 1. Local Government in Scotland Financial Overview 2020-21. |
| | | 2. Local Government in Scotland Overview 2022. |
| | 27 Oct 2022 | 3. Fraud and Irregularity 2020/21. |
| **4.** Regulation of Investigatory Powers (Scotland) Act 2000 Annual Reports to December 2022 | 08 Jun 2023 | To report on the operation of the Regulation of Investigatory Powers (Scotland) Act (RIPSA) within the Council during 2020 and 2021. |

## 5. Audit Committee Assurance Statements

The work of the Audit Committee during and in relation to 2022-23 is detailed at Section 4. This work was supported by reports, information and assurance statements from various sources including internal and external auditors, council management and regulatory or inspection bodies.

I have taken account of the breadth and depth of work performed by the Committee during the year to enable the Committee to provide the Council with independent assurance on the adequacy of its arrangements for risk management, governance and control.

I can, therefore, provide the Council with reasonable assurance on the adequacy of the arrangements for risk management, governance and control, based on the work undertaken by the Committee.

I can also confirm, in relation to its remit, delegations and performance that during the year the Committee:

- operated in accordance with the Council's Scheme of Delegation which sets out the approved remit and delegations to the Audit Committee;
- operated in accordance with the requirements of the CIPFA 'Audit Committees Practical Guidance for Local Authorities and Police (2013)' and 'Position Statement: Audit Committees in Local Authorities and Police (2022)';
- received and took assurance from Internal Audit reports and updates for Internal Audit reviews and assignments, sought any necessary clarification from council management on audit findings and assurance from management that agreed improvement actions to internal control, risk management and corporate governance arrangements would be implemented as agreed;
- satisfied itself that, for all improvement actions set out in Internal Audit reports, appropriate systems are in place to follow-up, monitor, evidence and report their implementation;
- noted the Internal Audit Annual Reports for 2021/22 and 2022/23 and the Audit Service Manager's 'Audit Opinions for the Annual Governance Statement'. The Reports provided the Committee with reasonable assurance from the Audit Service Manager on the adequacy and effectiveness of the Council's internal control, risk management and corporate governance arrangements, based on the work of Internal Audit during the respective year;
- noted reports from the Council's outgoing external auditor, Audit Scotland, including the Annual Reports to Members and the Controller of Audit for the financial year ended 31 March 2022. The Committee sought any necessary clarification from management on audit findings and assurance that any agreed improvement actions to internal control, risk management and corporate governance arrangements would be implemented as agreed;
- noted and took assurance from risk management reports to fulfil its delegated function to monitor the effective development and operation of arrangements for the management of risk in the Council. The Committee undertook regular review and scrutiny of the development of the Strategic Risk Register and corporate risk management arrangements;
- noted corporate fraud reports on actual and potential frauds, losses, thefts, or financial irregularities reported or identified from counter fraud work and the Council's participation in the National Fraud Initiative exercise. This enabled the Committee to fulfil its delegated function to monitor the effective development and operation of arrangements for the prevention and investigation of fraud and irregularity. The Committee scrutinised and monitored the Council's counter fraud activity and compliance with best practice and any legal requirements;

- noted the audited Annual Accounts for the Council and for the Council's Common Goods Funds and Charitable Trusts for 2021/22 and considered the draft, unaudited Annual Accounts for 2022/23 prior to submission to the external auditor; and
- approved the minutes of meetings held by the Committee as a record of attendance, its proceedings and the decisions made by the Committee.

In terms of the statutory requirements and timescales set out in the Local Authority Accounts (Scotland) Regulations 2014 I can also confirm that the Audit Committee undertook the following activities in relation to the Council's annual accounts during the year (as those related specifically to the 2022-23 annual accounts process):

- received and noted the Council's draft, unaudited Annual Accounts for 2022-23 by the statutory deadline of 30 June and considered the draft, unaudited Annual Accounts prior to submission to the external auditor;
- received and noted the draft Annual Governance Statement for 2022-23 included within the draft Annual Accounts by the statutory deadline of 30 June; and
- received and took assurance from the Internal Audit report on the annual review of the effectiveness of the Council's risk management, corporate governance and internal control arrangements and compliance with the Council's Local Code of Corporate Governance, which informed the Committee's consideration of the Annual Governance Statement for 2022-23.

**Councillor Scott Farmer**
**Convener of the Audit Committee**

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**Stirling Council**

Agenda Item No. 12

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Regulation of Investigatory Powers (Scotland) Act 2000 Annual Report 2022

## Purpose

The purpose of this report is to provide Members with an update on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 ("RIPSA" or the "Act") by Stirling Council (the "Council") during the period from 1 January 2022 to 31 December 2022. Council agreed on 25 September 2008 that an annual report would be presented to the Audit Committee., as well as the Investigatory Powers Commissioner's Office ("IPCO").

## Recommendations

The Audit Committee is asked to:-

1. note that there were no authorisations for directed surveillance granted during the period from 1 January 2022 to 31 December 2022;
2. note that there were no active covert human intelligence sources in place as at 31 December 2022, with none recruited or used during the period from 1 January 2022 to 31 December 2022;
3. note that there were no breaches of the Council's Regulation of Investigatory Powers (Scotland) Act 2000 Policy identified during the period from 1 January 2022 to 31 December 2022; and
4. take assurance in relation to the actions taken to address the advice and detailed in the IPCO inspection letter dated 16 April 2021.

## Resource Implications

None.

## Legal & Risk Implications

In terms of RIPSA, the Council is required to ensure appropriate checks and balances are in place for authorisations made under and in terms of the Act. This is to ensure that any covert surveillance activities and the acquisition of communications data are conducted in an efficient and proportionate manner and in accordance with and as required by the Act.

## 1. Background

1.1. RIPSA powers are not widely used in Stirling Council with the last five years reporting no authorisations. Historically, authorisations have been granted mainly for Sale of Goods investigations and anti-social and criminal behaviour.

1.2. Although no RIPSA applications have been made and therefore no authorisations have been granted in recent years, Stirling Council does carry out overt CCTV operations.

1.3. Stirling Council's low usage of investigatory powers is reflective of the position across UK local authorities as reported by the Investigatory Powers Commissioner's Office (IPCO).

## 2. Considerations

**Annual Return**

2.1. The IPCO collects annual statistics on the use of directed surveillance and covert human intelligence sources which are recorded on the Central Record of Authorisations held by the Chief Officer - Governance. These statistics are then reported on in the IPCO Annual Report to the Prime Minister and the Scottish Ministers who lay the report before their respective Parliaments.

2.2. In their 2023 annual report, the IPCO identified several councils in the UK as being 'reassuringly compliant', with Stirling Council being the only Scottish local authority referenced.

2.3. The IPCO's reporting year is based on the calendar year and for this report the reporting period is from 1 January 2022 to 31 December 2022.

2.4. The Council's annual return to the IPCO for the period from 1 January 2022 to 31 December 2022 is as follows:-

2.4.1. that no authorisations for directed surveillance were granted in the year between 1 January 2022 to 31 December 2022;

2.4.2. that there were no active covert human intelligence sources in use as at 31 December 2020, with none having been recruited or used during the period between 1 January 2022 to 31 December 2022;

2.4.3. that no authorisations for Property Interference were granted between 1 January 2022 to 31 December 2022;

2.4.4. that no authorisations for Intrusive Surveillance were granted between 1 January 2022 to 31 December 2022;

2.4.5. that no authorisations under s49 Encryption Powers were granted between 1 January 2022 to 31 December 2022; and

2.4.6. that the Council is a partner to the following significant collaborative agreements:

2.4.6.1. Stirling Council provides trading standards services on behalf of Clackmannanshire Council. All operational staff are employed by Stirling Council.

2.4.6.2. Stirling provides animal health and welfare services on behalf of Clackmannanshire Council, Falkirk Council and East Dunbartonshire Council. Again all operational staff are employed by Stirling Council.

2.4.6.3. Stirling is a party to a Multi-Agency Public Protection Arrangement for Stirling, Clackmannanshire & Falkirk designed to protect the public, including previous victims of crime, from serious harm by sexual and violent offenders. The lead co-ordinator for the Forth Valley area is employed by Clackmannanshire Council and is based at Larbert Police Station with any surveillance carried out by Police Scotland.

**IPCO Inspection Letter Advice**

2.5. The IPCO's last scheduled inspection of Stirling Council's use of investigatory powers was 7 April 2021. The IPCO issued their outcome letter on 16 April 2021.

2.6. The IPCO issued some informal recommendations to improve Stirling Council's practices such as:-

2.6.1. That the Authorising Officers be reminded of the requirements outlined within the relevant Codes of Practice;

2.6.2. That improvements should be made to the Council's RIPSA policy;

2.6.3. That the recording of an audit trail be implemented in non-RIPSA cases in order to reduce the likelihood of non-legitimate aims being pursued and there being a disproportionate use of social media.

2.7. Since the IPCO's recommendations, an extensive programme of training was delivered to all key members of staff in June and September 2022.

2.8. Stirling Council's updated RIPSA Policy will be presented to Finance, Economy and Corporate Services Committee for approval in June 2023. Progress on this has been delayed because of recruitment challenges in relation to a Senior Solicitor with responsibility for information governance.

**Breaches**

2.9. No breaches of the Council's Regulation of Investigatory Powers (Scotland) Act Policy in force at the date of this report have been identified during the period from 1 January 2022 to 31 December 2022.

## 3. Implications

### Equalities and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as no equality or human rights issues are raised.

### Climate Change, Sustainability and Environmental Impact

3.2 This report does not relate to a Plan, Policy, Programme or Strategy therefore neither of these policies apply.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report, no relevant issues have been identified.

### External Consultations

3.4 N/A.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Stirling Council Audited Accounts 2007/08 - Stirling Council Meeting 25 September 2008 and relevant minute of the meeting.

4.3 Investigatory Powers Commissioner Inspection Report dated 16 April 2020.

4.4 Stirling Council RIPSA Policy, Procedures and Guidance v3 September 2019.

## 5. Appendices

5.1 None.

Author(s)

| Name | Designation | Telephone Number/E-mail |
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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 12 May 2023 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | 2. Providing quality services people need and maintaining effective relationships with our staff and external organisations. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Resilient - People are part of safe and caring communities within an attractive and sustainable environment |

**Stirling Council**

Agenda Item No. 13

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Stirling Council External Audit Plan 2022/23

## Purpose

The purpose of this report is to present to the Audit Committee the appointed external auditor's External Audit Plan 2022/23 (the Plan). The Plan sets out the external audit work to be undertaken in relation to the financial year 2022/23.

Consideration of the Plan supports the Audit Committee in discharging its responsibility in terms of the Council's Scheme of Delegation to consider the reports of the appointed external auditor and other inspection agencies.

## Recommendations

Audit Committee is asked to:

1. consider and comment on the planned audit work to be undertaken as outlined in the Annual External Audit Plan 2022/23; and
2. note it is currently anticipated that the findings from the external auditor's work will be reported to the Audit Committee meeting on 24 August 2023.

## Resource Implications

The proposed audit fee for the 2022/23 audit of Stirling Council is £289,140 (2021/22: £254,870). In addition, the proposed fee for the audit of the Charitable Trust accounts administered by Stirling Council will be discussed and agreed with the Auditor (2021/22: £1,367).

In determining the audit fee, the external auditor has taken account of the risk exposure of the Council, the planned management assurances in place and the level of reliance from the work of internal audit. The audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 6 June 2023.

## Legal & Risk Implications

Section 8 of the Local Authority Accounts (Scotland) Regulations 2014 requires the Council to prepare its Annual Accounts in accordance with the Regulations and with proper accounting practice. The Annual Accounts must be submitted to the external auditor no later than 30 June. Submission of the Accounts to the external auditor allows the planned external audit work, as set out in the Plan, to commence.

The Audit Committee has delegated authority to consider the reports of the appointed external auditor and other inspection agencies, as set out in the Council's Scheme of Delegation.

# 1. Background

1.1. The Plan contains an overview of the planned scope and timing of the 2022/23 audit which will be carried out in accordance with International Standards on Auditing (ISAs) and the Code of Audit Practice.

1.2. The Plan sets out the work necessary to allow the external auditor to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

1.3. The wider scope requirements of public audit contributes to assessments and conclusions on financial management; financial sustainability; vision, leadership and governance; use of resources to improve outcomes.

# 2. Considerations

2.1 Based on the external auditor's discussions with staff and a review of supporting information, a number of main risk areas for Stirling Council have been identified. The key audit risks, which will require specific audit testing, are detailed on pages 13-15 of the Annual Audit Plan at Appendix 1 of this report. In addition, other areas of audit focus are outlined in pages 16-17 of the Plan.

2.2 The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the areas of financial management; financial sustainability; vision, leadership and governance; use of resources to improve outcomes. The audit work on the wider-scope areas, discussed on pages 19-25 of the Plan, will contribute to the external auditor's consideration of how the council demonstrates that it is meeting its Best Value responsibilities.

2.3 The external auditor will provide an independent auditor's report to Stirling Council and the Accounts Commission setting out their opinion on the annual accounts, including observations and recommendations on significant matters which have arisen during the audit. It is currently anticipated that this report will be presented to the Audit Committee at the meeting scheduled for 24 August 2023.

# 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the Stirling Council Audit Plan 2022/23, and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

**External Consultations**

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

## 5. Appendices

5.1 Appendix 1 - Stirling Council Audit Plan 2022/23.

Author(s)

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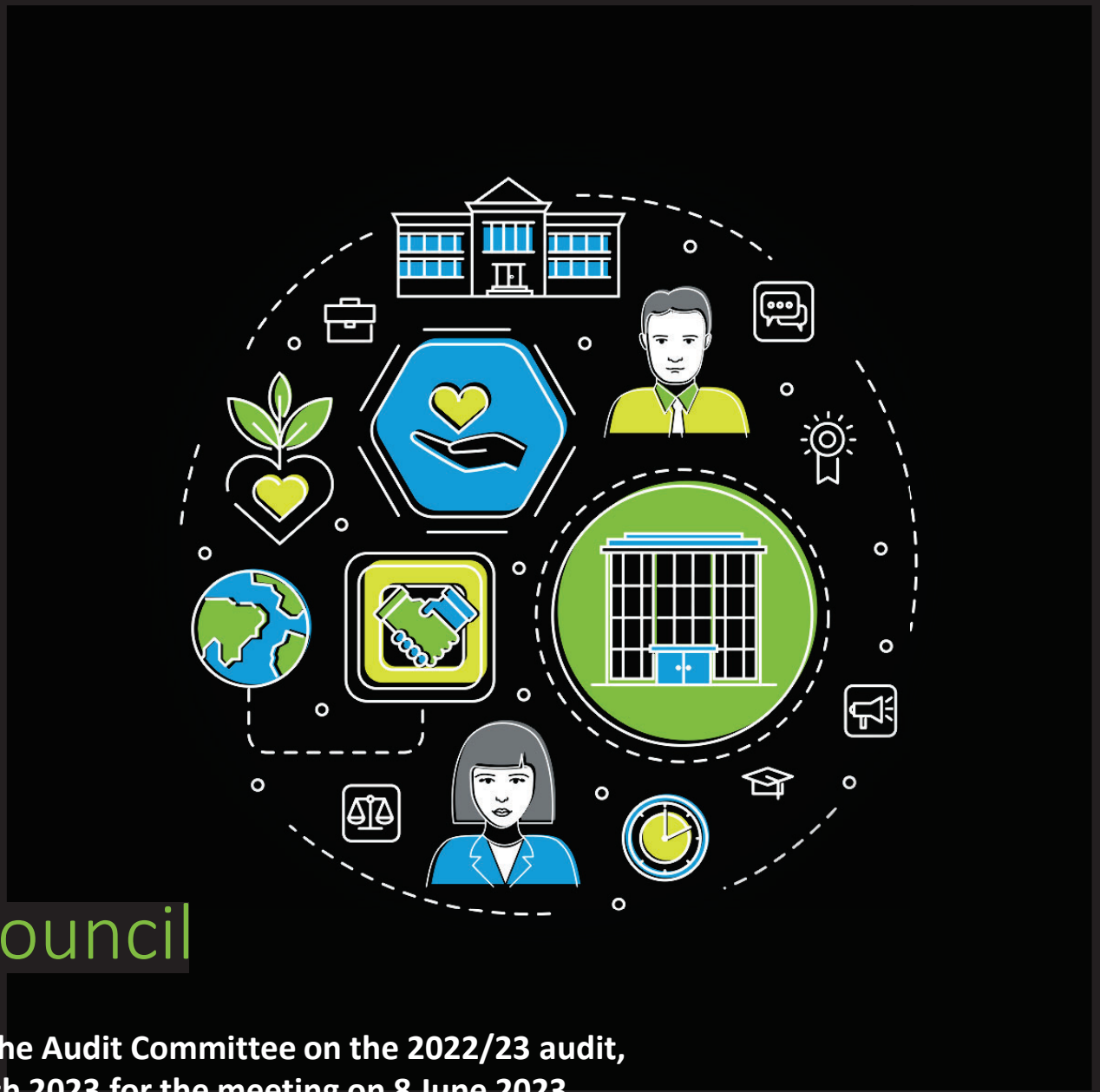
Approved by

| Name | Designation | Date |
|---|---|---|
| Kirsty Stanners | Chief Officer - Finance | 29 May 2023 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All. |
| Key Priorities: | All. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

Deloitte.



# Stirling Council

**Planning report to the Audit Committee on the 2022/23 audit,**
**– Issued on 24 March 2023 for the meeting on 8 June 2023**
**(draft issued to Audit Scotland 31 March 2023)**

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee ("the Committee") of Stirling Council ("the Council") for the 2022/23 audit. I would like to draw your attention to the key messages of this paper:

**Audit plan**

We have gained an understanding of the Council following a handover from your previous auditors, discussion with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

**Key risks**

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 12.

**Wider scope requirements**

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for each area, building on any findings and conclusions from the previous auditor, planning guidance from Audit Scotland and developments within the organisation during the year. Our wider scope significant risks are presented on pages 20 to 26. As part of this work, we will consider the arrangements in place to secure Best Value (BV).

# Introduction (continued)

## The key messages in this report (continued)

**Regulatory change**

Councils can voluntarily adopt IFRS 16, Leases, in 2022/23, with mandatory adoption from 2024/25. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. Stirling Council has chosen to adopt IFRS from 2024/25 when it become mandatory. Further details are provided on page 16.

**Our commitment to quality**

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

**Added value**

Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

We have also shared our recent research, informed perspectives and best practice from our work across the wider public sector on pages 26 to 29 of this plan.

**Pat Kenny**
**Associate Partner**

# Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

### Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Implement a policy on the engagement of the external auditor to supply non-audit services.

### Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.

### Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

### Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- Monitor and review the effectiveness of the internal audit activities.

### Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

# Our audit explained

## What we consider when we plan the audit

### Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2021, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what should be reported from the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the Council has taken, or will take, to remedy these.

### Responsibilities of the audit committee

As explained further in the Responsibilities of the Audit Committee slide on page 5, the Audit Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Council itself).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the Audit Committee annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

### Our response

As stakeholders tell us they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

# An audit tailored to you

## Overview of our audit plan

**Identify changes in your business and environment**

The Council continues to face significant financial pressures, with rising costs not being matched by increased funding. This is considered further on page 20.

**Scoping**

Our scope is in line with the Code of Audit Practice issued by Audit Scotland. More detail is given on page 10.

**In our final report**

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report.

**Determine materiality**

We will use a (Council Only) materiality level of £6.260m in planning our audit. This is based on forecast gross expenditure. We will report to you any misstatements above £0.250m.

Further details on our materiality considerations are provided on page 9.

**Significant risk assessment**

We have identified significant audit risks in relation to the Council. More detail is given on pages 13 to 15.

**Quality and Independence**

We confirm all Deloitte network firms and engagement team members are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

| Planning | Interim and wider scope | Year end fieldwork | Reporting |
|---|---|---|---|
| • Introduction and Planning meetings<br>• Handover from previous auditors<br>• Discussion of the scope of the audit<br>• Discussion of audit fees<br>• Discussion of fraud risk assessment | • Understanding of key business cycles<br>• Carry out detailed risk assessments<br>• Review of Council and Audit Committee papers and minutes<br>• Review of the work performed by Internal Audit<br>• Complete wider scope procedures | • Audit of Annual Report and Accounts, including Annual Governance Statement<br>• Year-end audit field work<br>• Year-end closing meetings | • Reporting of significant control deficiencies<br>• Final Audit Committee<br>• Submission of final Annual Audit Report to the Audit Committee and the Controller of Audit.<br>• Submission of audited Annual Report and Accounts to Audit Scotland<br>• Complete data sets |
| 2022/23 Audit Plan | 2022/23 Annual Audit Report | | |
| February – March 2023 | March – April 2023 | June-July 2023 | August 2023 |

Ongoing communication and feedback

# Materiality

## Our approach to materiality

**Basis of our materiality benchmark**

- The audit partner has determined group materiality as £6.590m and performance materiality of £4.610m , based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the Annual Report and Accounts.
- We have used 1.5% of forecast gross expenditure as the benchmark for determining materiality and applied 70% as performance materiality. We have judged expenditure to be the most relevant measure for the users of the accounts.
- For the audit of Stirling Council (Council only), a materiality of £6.260m and performance materiality of £4.380m has been determined.

**Reporting to those charged with governance**

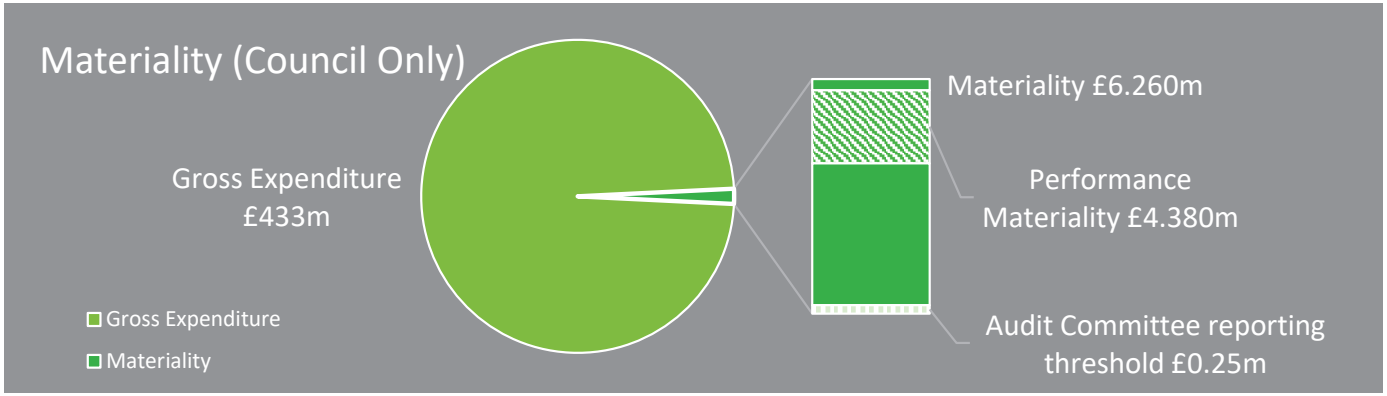
- We will report to you all misstatements found in excess of £0.250m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance, which states that the threshold for clearly trivial above which we should accumulate misstatements for reporting and correction to the Audit Committee must not exceed £0.250m.

**Our Annual Audit Report**

We will:

- Report group and Council only materiality, and the range we use for component materialities.
- Provide comparative data and explain any changes compared to prior year
- Explain any normalised or adjusted benchmarks we use
- Explain the concept of performance materiality and state what percentage of materiality we used for the group and parent audits, with our rationale.




Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

# Scope of work and approach

## Our key areas of responsibility under the Code of Audit Practice

| Auditors activity | Planned output | Proposed reporting timeline to the Committee | Audit Scotland/ statutory deadline |
|---|---|---|---|
| Audit of Annual Report and Accounts | Annual Audit Plan<br>Independent Auditor's Report<br>Annual Audit Report | 8th June 2023*<br>24th August 2023<br>24th August 2023 | 31 March 2023<br>30 September 2023<br>30 September 2023 |
| Wider-scope areas | Annual Audit Plan<br>Annual Audit Report | 8th June 2023*<br>24th August 2023 | 31 March 2023<br>30 September 2023 |
| Consider and report on Best Value arrangements | Annual Audit Plan<br>Annual Audit Report<br>Thematic Review – Management Report | 8th June 2023*<br>24th August 2023<br>24th August 2023 | 31 March 2023<br>30 September 2023<br>30 September 2023 |
| Audit of approved claims and returns | Annual Audit Plan<br>Auditor certificate of housing benefit<br>Auditor certificate of non-domestic rates return | 8th June 2023*<br>N/A<br>N/A | 31 March 2023<br>TBC<br>TBC |
| Provide assurance on specified returns | Annual Audit Plan<br>Assurance Statement on Whole of Government Accounts (WGA) return | 8th June 2023*<br>N/A | 31 March 2023<br>TBC |

*Draft report agreed with management by 31 March 2023 to meet Audit Scotland deadline.

# Scope of work and approach

## Our approach

### Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the Code to support the Council in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the Council complete during drafting.

Other reporting prescribed by the Accounts Commission

In addition to the opinion on the Annual Report and Accounts, we are also required to provide an opinion on the following:

- Whether the audited part of the Remuneration Report has been properly prepared; and
- Whether the Management Commentary and Annual Governance Statement are consistent with the financial statements and have been properly prepared.

# Significant risks

## Significant risk dashboard

| Risk | Fraud risk | Planned approach to controls | Level of management judgement | Management paper expected | Page no. |
|---|---|---|---|---|---|
| Risk 1 – Management override of controls | ✓ | DI | ⚠ | ✗ | 13 |
| Risk 2 – Property valuations | ✓ | DI | ⚠ | ✓ | 14 |
| Risk 3 – Capital expenditure | ✓ | DI | ⚠ | ✓ | 15 |

**Level of management judgement**

- ⚠ Limited management judgement
- ⚠ A degree of management judgement
- ⚠ Significant management judgement

**Controls approach adopted**

- DI Assess design & implementation

# Significant risks

## Risk 1 – Management override of controls

| | |
|---|---|
| **Risk identified** | In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override the Council's controls for specific transactions.<br>The key judgements in the Annual Report and Accounts are those which we have selected to be the significant audit risks – valuation of the Council's estate and recognition of capital expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts . |
| **Our response** | In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:<br>• We will consider the overall control environment and 'tone at the top';<br>• We will test the design and implementation of controls relating to journals and accounting estimates;<br>• We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.<br>• We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts . We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.<br>• We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above.<br>• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment. |

# Significant risks (continued)

## Risk 2 – Property Valuation

| | |
|---|---|
| **Risk identified** | The Council held £578.823m of property assets (council dwellings and land and buildings) at 31 March 2021 which increased to £612.156m as at 31 March 2022, due to upwards revaluations as a result of the Council undertaking a mixture of full valuations and desktop valuations for schools, campus' and housing stock. In 2022/23 the Council plan to carry out a combination of asset valuations as part of the 5-year rolling programme and a desktop valuation of schools and housing stock.<br><br>The Council is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. |
| **Our response** | We will test the design and implementation of key controls in place around the property valuation.<br><br>We will engage early with the Council, using our valuation specialists to challenge the assumptions applied by management in the valuations.<br><br>We will test the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation.<br><br>We will use our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings.<br><br>We will challenge management's assessment for material changes in value for those property assets not subject to a full valuation during the year. |

# Significant risks (continued)

## Risk 3 – Capital Expenditure

| | |
|---|---|
| **Risk identified** | The Council has a significant capital programme, and has budgeted £37.190m for capital works during 2022/23 (2021/22: £29.297m). Key projects include investment in the education estate, roads infrastructure improvements and expenditure associated with the Active Travel project as part of the City Region Deal.<br><br>Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised.<br><br>The Council has a significant assets under construction balance for current ongoing capital projects (£14.996m as at 31 March 2022). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Council and as such is an area that we judge could be open to management override |
| **Our response** | We will review the Council's capital plans as part of the planning process and discuss with management potential risks or issues identified.<br><br>We have requested management prepare accounting papers in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised, in particular in respect of the additions, disposal, depreciation, revaluation and impairment of fixed assets.<br><br>We will test the design and implementation of controls around the capitalisation of costs and test spending on a sample basis to confirm that it complies with relevant accounting requirements.<br><br>We will test the design and implementation of controls around the transfer of assets out of assets under construction and into use and test completed projects on a sample basis to ensure depreciation is charged from the correct date.<br><br>We will evaluate completeness of disposals or impairments of existing assets on completion of the above key projects. We will challenge any significant judgements made by management in regards to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements. |

# Other areas of audit focus

## We have identified the below areas of audit interest, although do not consider these to be significant risks

| | |
|---|---|
| **Risk identified** | **IFRS 16** |
| **Summary** | IFRS 16 is effective for local government bodies from 1 April 2024, but can be voluntarily adopted from 2022/23. The introduction of IFRS 16 will have a significant impact on the balance sheet and on recorded capital expenditure for the Council. Stirling Council has chosen to adopt IFRS 16 from 2024/25 when it become mandatory.<br><br>The impact of the implementation of IFRS 16 was disclosed in the 2021/22 financial statements and audited during the prior year audit. IFRS 16 disclosures will need to be updated in a new note in the Annual Accounts to capture the expected impact of any new leases entered into this year and to include PFI arrangements which were not covered in previous disclosures.<br><br>We recommend that an accounting paper is presented to the Audit Committee on the transition for review and approval as part of the Council's governance over financial reporting. |
| **Deloitte response** | We will request from management an accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application). |
| **Risk identified** | **Expenditure recognition** |
| **Summary** | In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition. |
| **Deloitte response** | We have considered this risk for the Council, and based on the handover from previous auditor, there is no history of errors or audit adjustments. This has therefore not been assessed as a significant risk area, but will continue to be an area of audit focus in line with Practice Note 10. We will consider this further as part of our detailed risk assessment. |

# Other areas of audit focus (continued)

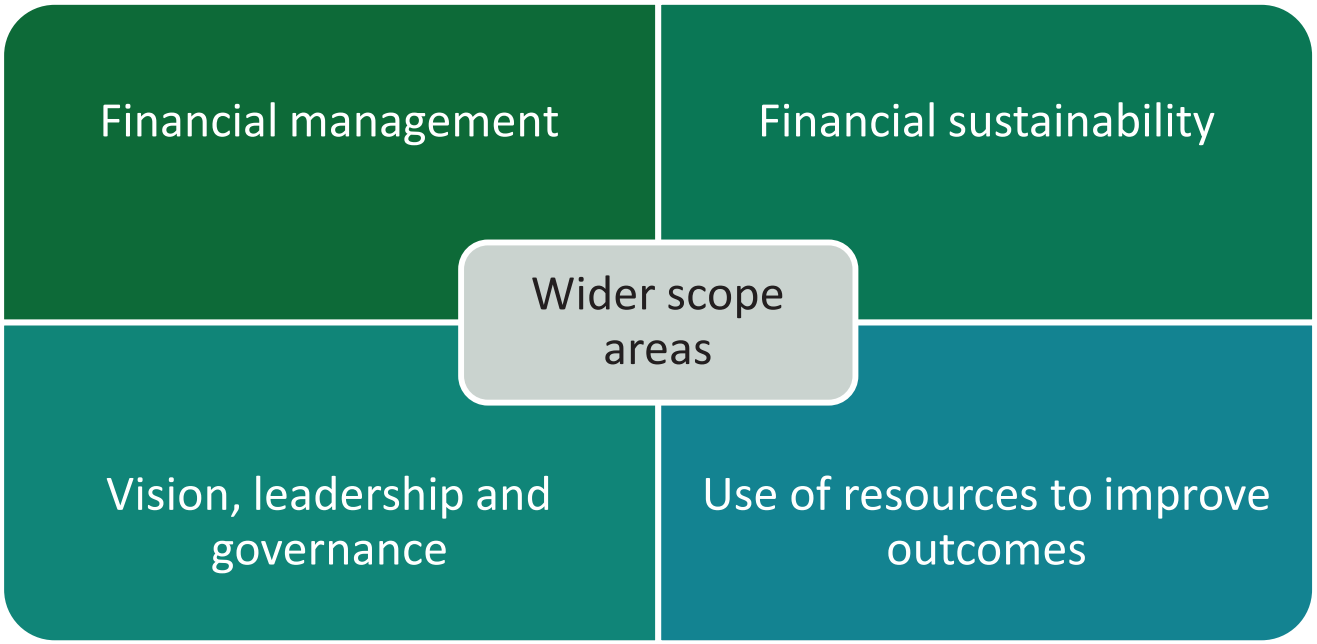
## We have identified the below areas of audit interest, although do not consider these to be significant risks (continued)

| | |
|---|---|
| **Risk identified** | **Pension Liability** |
| **Summary** | The Council participates in two defined benefits schemes:<br>• Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and<br>• The Falkirk Pension Fund, administered by Falkirk Council.<br><br>The net pension liability decreased from £313.883m in 2020/21 to £204.887m in 2021/22. The increase was a combination of an increase in the fair value of the assets and an increase in the liabilities as a result of demographic changes and financial assumptions. The liability also continues to be affected by the McCloud and Goodwin legal cases.<br><br>Hymans Robertson LLP are the Council's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk. |
| **Deloitte response** | We will perform the following procedures to address the risk:<br>• Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;<br>• review and challenge the assumptions made by Hymans Robertson LLP;<br>• Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;<br>• Assess the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund annual accounts;<br>• Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and<br>• Review the disclosures within the accounts against the Code. |

# Wider scope requirements

## Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.




In local government, public audit includes the audit of arrangements for, and performance of, the audited body's duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertaken this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on pages 19 to 25 will contribute to our consideration of how the council demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

# Wider scope requirements (continued)

## Significant risks

| Area | Significant risks identified | Planned audit response |
|---|---|---|
| Financial management | There is an ongoing risk with the finance team capacity, in particular as a result of the work being done to prepare for the implementation of the new ledger system early in 2023/24. From our planning work and handover from the previous auditors, we have, however, not identified any significant risks in relation to financial management. | We will continue to review the financial management arrangements in place, including the capacity of the finance team. |
| Financial sustainability | While the Council has historically achieved financial balance, there remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively.<br><br>This is based on a number of factors, including:<br>• The 2022/23 revenue budget is projecting an overspend which has impacted on the balances held as general reserves, which are projected to be below the recommended range set out in its reserves strategy.<br>• Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income, resulting in a net budget gap in 2023/24 of £17.648m before agreeing savings options.<br>• Indicative gaps of £24.405m and £29.262m identified for 2024/25 and 2025/26 respectively. | We will assess the development of the 2023/24 budget and the impact on the medium and longer term financial outlook.<br><br>We will also review the updated medium term financial plan and associated savings plans when prepared to assess whether there are robust plans in place to reduce the funding gap. This will include consideration of the progress with the Council's transformation plans set out within its 10-year strategy "Thriving Stirling". |

# Wider scope requirements (continued)

## Significant risks (continued)

| Area | Significant risks identified | Planned audit response |
|---|---|---|
| Vision, leadership and governance | In 2021/22, the previous auditors concluded that the Council had appropriate governance arrangements in place and that there was effective scrutiny. Challenge and informed decision making.<br><br>Following the local government elections in May 2022, the new Council administration agreed its 10 strategic priorities in December 2022. These set out the overarching principles which will guide the Council's future decision making over the coming years.<br><br>There is a risk that robust plans are not in place underling these priorities to ensure they are delivered. | As part of the Best Value (BV) thematic work, discussed on page 23, we will assess the effectiveness of Council leadership (officers and elected members) in developing new local strategic priorities. |
| Use of resources to improve outcomes | In 2021/22, the previous auditors concluded that the Council had an appropriate and effective best value framework in place.<br><br>Given the financial challenges faced by the Council and the changes in priorities noted above, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement. | We will review the performance reports presented at the Council to assess the extent to which they demonstrate a focus on continuous improvement, as discussed further on page 23. This will incorporate consideration of the effectiveness and appropriateness for preparing and publishing the Statutory Performance Information considered further on page 24. |

# Wider scope requirements (continued)

## National risks

In its planning guidance, Audit Scotland has highlighted the following national or sectoral risks that the Audit General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audit.

| Area | Risk | Audit response |
|---|---|---|
| **Climate change** | Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change. | Public audit has an important and clear role to play in:<br>• Helping drive change and improvement in this uncertain and evolving area of work<br>• Supporting public accountability and scrutinising performance<br>• Helping identify and share good practice<br>The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.<br>For the 2022/23 audit, we are required to provide responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. |
| **Cyber security** | There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber-security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operations of an organisation. | As discussed further on page 34, the revised ISA (UK) 315 includes enhanced requirements for auditors to understand a body's use of IT in its business, the related risks and the system of internal control addressing such risks. The Auditor General and Accounts Commission has confirmed that these additional requirements is likely to be sufficient consideration of cyber security in 2022/23 and therefore there is no additional work specified by Audit Scotland |

# Wider scope requirements (continued)

## Other requirements

Under the new Code of Audit Practice, the **audit of Best Value** in councils is fully integrated within he annual audit work. We are required to evaluate and report on the performance of councils in meeting their Best Value duties. There are four aspects to our work:

| Considering Best Value (BV) arrangements | Reporting requirements |
|---|---|
| 1. ***Follow-up and risk based work*** – following up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) and Annual Audit Reports. | We will report our judgement on the pace and depth of improvement in our Annual Audit Report.<br><br>We have included the significant risks identified on page 19, and will report our conclusions in our Annual Audit Report. |
| 2. ***Service improvement and reporting –*** Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. | We will assess annually how effectively the Council demonstrates this improvement and report in the Annual Audit Report for 2022/23 (and for each subsequent year).<br>We will also report in the Annual Audit Report a summary of the information the Council reports publicly on its service performance, drawing upon the information that the Council is required to report on by the Accounts Commission's Statutory Performance Information Direction. This takes forward the service assessments previously reported in the BVAR on the Council. |
| 3. ***Thematic reviews –*** we are required to report on Best Value or related themes prescribed by the Accounts Commission.<br>The thematic work for 2022/23 requires us to carry out an overview of the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. | We will report our conclusions in a separate management report on this work, using a template provided by Audit Scotland. This will be reported to those charged with governance in the Council prior to the conclusion of the 2022/23 audit. A summary of the findings and conclusions will be reported in our Annual Audit Report. |

# Wider scope requirements (continued)

## Other requirements (continued)

| Considering Best Value (BV) arrangements (continued) | Reporting requirements |
|---|---|
| ***4. Contributing to Controller of Audit reports – The Controller of Audit will report to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year appointments.*** | The report will be prepared by for the Controller by Performance Audit and Best Value (PABV) staff and will be a summary of information and judgements reported by each auditor. The latest Annual Report will be presented to the Commission with the Controller's report. |

| Councils' Statutory Performance Information | Reporting requirements |
|---|---|
| The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23. | We have a statutory responsibility to satisfy ourselves that the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction.<br>We will conclude in our Annual Audit Report on:<br>• the effectiveness and appropriateness of the arrangements in place for complying with the new Direction, including the balance and timeliness of reporting to members along with its accessibility for citizens and communities; and<br>• The progress on implementing previous recommendations and any recommendations for further improvement in the arrangements. |

# Wider scope requirements (continued)

## Other requirements (continued)

| Area | Requirements |
|---|---|
| **Shared Risk Assessment and Joint Scrutiny Planning** | The Shared Risk Assessment (SRA) process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at Councils. Each council area has a Local Area Network (LAN) which comprises representatives from the main local government scrutiny bodies, being Care Inspectorate, Education Scotland and Scottish Housing Regulator.<br>As the appointed auditor, we are the LAN leads and are required to:<br>• Engage with LAN members in other agencies to collect information on performance and scrutiny risks to inform risk assessment discussions<br>• Work with other scrutiny bodies to facilitate engagement with the council and between each member<br>• Discuss planned scrutiny with the council<br>• Advise the Operational Scrutiny Group of any planned scrutiny activity |
| **National Fraud Initiative** | The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a while. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.<br>All councils are participating in the 2022/23 NFI exercise. Participating bodies should have received matches for investigation from January 2023 and these require to be investigated by 30 September 2023. We will monitor the bodies participation and progress during 2022/23 and, where appropriate, include reference to NFI in our Annual Audit Report |
| **Sectoral annual reports** | The Accounts Commission has in previous years published two reports covering the local government sector. We will be required to complete a brief dataset containing some important information to assist in preparation of these reports. |
| **Current issues returns** | Timely communication by auditors of intelligence is important in helping Audit Scotland to maintain a good level of awareness across the local government sector and to keep the Controller of Audit and Accounts Commission informed. We are therefore required to submit quarterly “Current Issues Returns” to Audit Scotland. |

# Wider scope requirements (continued)

## Other requirements (continued)

| Area | Requirements |
|---|---|
| **Anti-money laundering** | We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland. |
| **Fraud returns** | We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:<br>• Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control<br>• Over £5,000. |
| **Whole of Government Accounts** | We are required to provide assurance on Whole of Government Accounts (WGA) returns prepared by local government bodies where these are over a prescribed threshold. |
| **Certification of grant claims and returns** | We are required to provide certificates on specified grant claims and similar returns prepared by a audited bodies as part of the audit appointment, where they have been approved by Audit Scotland. The two approved claims/ returns for 2022/23 relate to housing benefit subsidy and non-domestic rates.<br><br>As a change in principle from previous years, no other grant claims or similar returns may be certified in 2022/23 under the audit appointment. However, we may be permitted to undertake this work as a non-audit service rather than as core annual audit activity. |

# Reporting hot topics

## Ongoing macro-economic uncertainty

### Reporting in times of uncertainty

Councils face unprecedented uncertainty from a variety of sources, including stresses arising from energy supply and costs, inflation, foreign exchange volatility, commodity availability and pricing, global supply chain disruption, labour shortages and the impacts of climate change. Many of these issues are exacerbated by the ongoing conflict between Russia and Ukraine.

High-quality, transparent reporting that clearly explains the impact of these uncertainties on the Council's financial position, performance and cash flows, as well as the Council's response to these risks, remains as important as ever.

### Impact of ongoing macro-economic uncertainty – Considerations

The current macro-economic uncertainty and the resulting challenges have a pervasive impact on the financial statements and need to be considered comprehensively across all account balances and disclosures, in particular those involving estimation or judgement.

Sources of uncertainty likely to impact Council's operations and corporate reporting include:

- **High energy costs and risk of energy shortages**
- **Rising interest rates**
- **Rising levels of inflation**
- **Supply chain disruptions**
- **Continued pressures on labour supply and wages**

### Impact of ongoing macro-economic uncertainty – Action

We expect all Council's to have undertaken a comprehensive, evidence-based assessment of the risks relating to macroeconomic conditions including for example, higher energy costs, supply chain disruption, rising levels of inflation, commodity availability and labour shortages. Consideration should be given to how those risks affect both the operations of the Council and the impact on the annual report and financial statements as a whole.

We expect Councils to have considered the pressures throughout the value chain(s) in which they operate, including an assessment of the risks relating to suppliers and operations.

# Reporting hot topics (continued)

## Climate related risks

**Deloitte view**
The expectations of corporate reporting are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations. This is also an area of interest from the Auditor General and Accounts Commission as discussed on page 17.

### Accounting for and reporting of climate-related risks – Considerations

#### Stakeholder expectations

Stakeholders are clear that climate-related risks could be material to businesses in all sectors. In particular, stakeholders ask for clear, specific and quantified information that describes:

- how the impacts of physical and transition risks have been considered in preparing the financial statements;
- what climate-related assumptions and estimates were used to prepare the financial statements; and
- whether narrative reporting on climate risks and the accounting assumptions are consistent, or an explanation for any divergence.

#### Climate thematic reports

In July 2022, the FCA and FRC published **thematic reviews of TCFD (Task Force of Climate Related Financial Disclosures) and climate-related impacts** reported in premium listed entities' financial statements. This follows up on the FRC's 2020 thematic review of climate-related considerations.

The FRC highlighted five broad areas for improvements in climate-change reporting in their thematic review:

- giving more **granular and company specific information** about the effects of climate change on different businesses, sectors and geographies;
- ensuring that the discussion of climate-related risks and opportunities is **balanced**;
- **linking climate-related disclosures**, such as the output of climate-related scenario analysis, with other relevant narrative disclosures in the annual report, such as the business model or strategy;
- explaining how **materiality** has been applied in deciding which climate-related information should be disclosed; and
- ensuring **connectivity between TCFD disclosures and the financial statements** to help investors understand the relationship between climate-related matters and judgements and estimates applied in the financial statements – for example, explaining clearly how different climate-related scenarios and the companies' own net zero commitments have been reflected in the financial statements.

The FRC report also includes disclosure examples and detailed expectations and can be found on the FRC's website here.

# Reporting hot topics (continued)

## Climate related risks

### Accounting for and reporting of climate-related risks - Action

*Governance*

The impacts of climate change are a strategic issue that should be on the Council's agenda and integrated into decision making. We expect entities to have:

- Reviewed their governance, processes and controls for identifying, and responding to, climate-related issues;
- Completed a robust climate assessment including all physical and transition risks;
- Assessed the climate change assumptions used in judgements and estimates in the financial statements;
- Evaluated the appropriateness and consistency of information in the financial statements and narrative disclosures; and
- Prepared a management paper setting out management's climate risk assessment and consideration of the impacts of climate change on the financial statements.

*Financial statements*

Regarding financial statement disclosures, we expect entities to consider the transparency of information about the climate-related judgements and assumptions. Information should be entity-specific and avoid boilerplate explanations.

The financial statements should clearly disclose:

- what climate-related assumptions have been used in preparing the financial statements;
- how significant climate risks or net zero transition targets have been taken into account in preparing the financial statements;
- which climate-related scenarios have been considered in sensitivity analysis of climate-related assumptions and how they affect judgements and estimates in the financial statements.

For Councils, the most common area affected is assumptions around property valuations, particularly Modern Equivalent Asset assumptions, but this may impact other balances.

*Narrative reporting*

We expect the narrative accompanying the financial statements to include the following:

- An explanation of how climate is assessed as a strategic issue.
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed.
- For climate-related targets and metrics, an explanation of how those targets and metrics fit into strategic targets/approach.

# Reporting hot topics (continued)

## Cyber risk

| Area | Management actions | Impact on the financial statements and annual report | Impact on our audit |
|---|---|---|---|
| Cyber risk | The Council has invested in advanced cyber security hardware and software. In addition it has carried out a Cyber security audit with BT. Cyber risk is included in the 2023/24 Internal Audit Plan | Cyber risk is an increasing area of focus, including a focus for the Auditor General and Accounts Commission as discussed on page 21. We we recommend considering whether any additional disclosure or explanations are appropriate, including discussion of principal risks and uncertainties, or in the Annual Governance Statement.<br><br>The AGS requires disclosure of how risks to data security are managed and controlled, as well as of any serious information governance incidents. | We will obtain an understanding the Council and its internal controls in relation to cyber as part of our understanding of the Council's IT environment.<br><br>We will make specific enquiries to identify whether a cyber breach has occurred during the period, and evaluate the impact of any cyber incidents, including any potential liabilities arising or impacts on compliance with laws or regulation.<br><br>We will review the disclosures made for consistency with our understanding from our audit work. |

# Audit quality

## Our commitment to audit quality

Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements by using our expertise in the sector and elsewhere to provide robust challenge to management.

We will obtain a deep understanding of your business, its environment and of your processes in income and expenditure recognition, payroll expenditure and capital expenditure enabling us to develop a risk-focused approach tailored to the Council.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve property specialists to support the audit team in our work on the valuation of property assets, IT specialists to support the audit team in our understanding of IT controls, pension specialists to support the audit team in our work on the pension liability.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny (Associate Partner).

**Engagement Quality Control Review**

We have developed a tailored Engagement Quality Control approach.

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team, and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

# Audit quality (continued)

## FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website: https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

**The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP**

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to the Council alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Pat Kenny**

**for and on behalf of Deloitte LLP**

Glasgow | 24 March 2023

# Technical and sector developments

# Revisions to auditing standards coming into effect

## ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement

The International Auditing and Assurance Standards Board (IAASB) issued a revised risk assessment standard in December 2019, that takes effect for periods commencing on or after 15 December 2021. For most Scottish public sector bodies, this will be March 2023 year ends and later. The FRC has adopted the standard in the UK with minimal additions.

The revision was made to respond to challenges and issues with the current standard and requires a more robust risk identification and assessment. We had already incorporated many of the changes into our methodology in advance of the standard being introduced, but we summarise on the next few slides some of the areas where this may impact our audit.

*"The IAASB recognizes the importance, and also the complexity, of the auditor's risk assessment process"*

IAASB's basis for conclusions, ISA 315

| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| New requirement to evaluate the 4 entity-level components of internal control | Whilst we have always been required to gain an understanding of the entity and its environment, including its internal controls, the new standard is more prescriptive on the need to go further and evaluate the 4 entity level controls components: the entity's control environment, risk assessment process, monitoring of internal control, and information system.<br><br>This could lead to an increase in the number of relevant controls. | You will need to consider the adequacy of your entity-level controls, and documentation thereof.<br><br>You should also expect more granular inquiries regarding the control environment. |
| Enhanced consideration of the types of relevant controls | Overall we expect to identify an increased number of relevant controls, particularly for controls designed to address risks at the higher end of the spectrum of inherent risk and controls over reconciliations. Where new relevant controls are identified, we may also identify control deficiencies and need to consider the effect of these. | You should expect more challenge of controls, particularly over complex accounting estimates, financial reporting and complex or highly automated business processes. |

# Revisions to auditing standards coming into effect (continued)

## ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement (continued)

| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| Enhanced understanding of IT and General IT controls | As we identify more relevant controls, it is likely there will be more relevant IT controls (e.g. automated controls) which themselves rely on underlying General IT Controls (GITCs).<br><br>We may need more IT specialist involvement to gain an enhanced understanding of IT controls and GITCs, particularly where there are a high volume of automated transactions in the entity. Similarly, where new IT systems come into scope, the likelihood is that there will be an increase in the number of deficiencies identified and action will be needed to determine the appropriate response. | You should expect more challenge over the effectiveness of your GITCs, including how these are monitored. |
| New approach to scoping account balances, classes of transactions and disclosures | We may now identify some account balances as “material but not significant” where we do not identify a risk of material misstatement, but where we are required to perform some substantive testing. | We may need to perform more substantive testing on balances, where previously there was no separate category of material but not significant. |
| Revised definition of a significant risk, focused on risks at the upper end of a spectrum of inherent risk | We do not anticipate there being a significant increase in the number of significant risks identified, but where there are more material judgements or estimates being made and a significant risk has not been identified previously, we may conclude there is a significant risk. | You should expect more challenge on audits where before there were no significant risks beyond management override of controls. |
| Stand back requirement and increased focus on professional scepticism | Our audit approach already acknowledges that risk assessment is an iterative process as well as emphasising the importance of professional scepticism. We will use this as an opportunity to challenge ourselves on the evidence that professional scepticism has been applied through the risk assessment processes, including as part of the stand back assessment. | You should expect more challenge of the evidence provided in respect of our risk assessment, including revisiting this towards the concluding stage of the audit. |

# Revisions to auditing standards coming into effect (continued)

## ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

The Financial Reporting Council (FRC) issued a revised fraud standard in May 2021, that takes effect for periods commencing on or after 15 December 2021 (i.e. March 2023 year ends for most Scottish public sector bodies).

Many of the revisions provide increased clarity as to the auditor's obligations and codify existing expectations or best practice. The updates to the ISA do not include any changes relating to proposals in the Government's White Paper regarding auditor reporting on a statement by directors on the steps they have taken to prevent and detect material fraud.

We summarise on the next few slides how this will impact our audit.

| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| Fraud inquiries | In addition to the pre-existing required enquiries, we are now explicitly required to make inquiries of management or others at the entity who handle whistleblowing.<br><br>We also required to discuss the risks of fraud with those charged with the governance, including those risks specific to the entity's business sector. | You should expect further challenge in relation to who we speak to in relation to fraud at the entity, including more focus on entity/sector specific risks. |
| Engagement team discussions | The revised ISA (UK) emphasises that the pre-existing audit team fraud discussion should explicitly include an exchange of ideas about fraud, incentives to commit fraud, and how management could perpetrate and conceal fraud.<br><br>There is also an explicit requirement for the engagement partner to consider whether further fraud discussions should be held at later stages of the audit. | You should expect increased challenge of the controls and processes in relation to the entity's own fraud risk assessment and the documentation of that assessment. |

# Revisions to auditing standards coming into effect (continued)

## ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| Identified or suspected fraud by a key member of management | The revised ISA (UK) clarifies that if we identify or suspect fraud by a key member of management this may be qualitatively material. | Further challenge in relation to identified or suspected fraud by a key member of management. |
| Involvement of specialists | We are explicitly required to determine whether the engagement team needs specialised skills and knowledge:<br>• To perform the fraud risk assessment procedures, to identify and assess the risk of material misstatement due to fraud, to design and perform audit procedures to respond to those risks or to evaluate the audit evidence obtained; or<br>• Where a misstatement due to fraud or suspected fraud is identified. | There is likely to be more interaction with fraud specialists as part of our planning procedures. |
| Journal entry testing | We were already required to test the appropriateness of journal entries and other adjustments made in the preparation of the financial statements and make inquiries of personnel.<br>The revised ISA (UK) clarifies that our selection process should consider specifically both automated and manual journals, consolidation adjustments (in the preparation of group financial statements), and post-closing entries.<br>The standard also emphasises that when making inquiries about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, we should make inquiries of individuals with different levels of responsibility in the financial reporting process. | You should expect more challenge on GITCs over the identification and classification of automated and manual controls, especially where there are IT deficiencies.<br>There will also be more inquiries with people at different levels of responsibility at the entity. |

# Revisions to auditing standards coming into effect (continued)

## ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| Representations from those charged with governance | We will request an additional representations from those charged with governance regarding their responsibilities for the prevention and detection of fraud. | You should expect updated representations from those charged with governance that they believe they have appropriately fulfilled their responsibilities to design, implement and maintain internal control to prevent and detect fraud. |

# Sector developments

## The State of the State report 2022/23 – From the pandemic to a cost of living crisis

### Background and overview

The 11th edition of Deloitte and Reform's report on the UK public sector was launched in November 2022. Since 2012, we have aimed to create an annual snapshot of what's happening across government and public services to serve as an evidence base for informed discussion.

This year's State of the State finds public attitudes deeply affected by the cost of living crisis, pessimistic for the future and passionate about climate change.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key messages:

- The public are split on the right balance between taxes, borrowing and public spending;
- The public's message to government: deal with the crises, but don't neglect net zero;
- Our survey data found that the Scottish and Welsh Governments, as well as the NHS, are among the most trusted parts of the public sector but trust has slipped overall;
- Public sector leaders are eager for reform and calling for bold decisions about the future of government and public services.

### Next steps

The full report is available at [The State of the State 2022/23 (deloitte.com)]

# Sector developments (continued)

## Good practice in annual reporting – National Audit Office (NAO)

### Background and overview

Effective annual reporting in the public sector is more important than ever. The COVID-19 pandemic and, more recently, the energy price crisis have resulted in extraordinary public spending interventions by the government to support the public and the economy. Making government spending transparent and understandable to those who fund it – taxpayers – is therefore critical. Annual reports must clearly tell the 'story' of how these monies have been spent and what has been achieved. Crucially, annual reports and accounts must give assurance on how effective outcomes are being secured and how the risk of fraud and loss to the public purse is being appropriately managed and controlled.

Good reporting equips stakeholders with information they can use to hold organisations to account. This is why high-quality annual reports and accounts are fundamental to effective accountability.

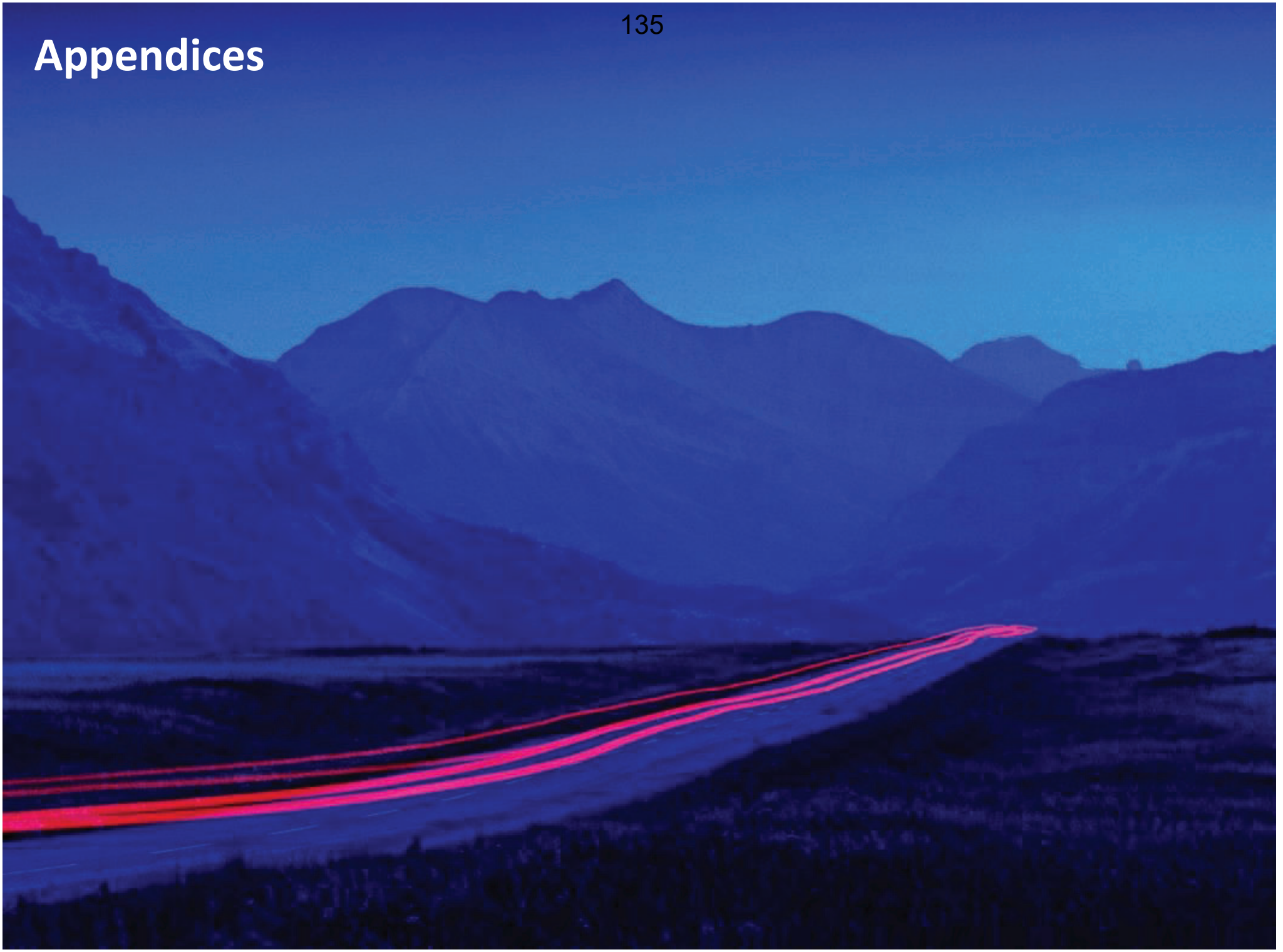
The NAO has published a guide setting out good practice principles that it believes underpin good annual reporting. These principles are grouped under: **Supporting accountability**, **Transparency**, **Accessibility**, and the need for the report to be **Understandable**. Against these principles, the guide highlights examples which demonstrate attributes of good-practice reporting, including:

- Joined-up reporting.
- A frank and balanced assessment of risks and opportunities facing an organisation.
- Understandable non-financial information.
- Linkage between financial and non-financial information.
- Accessibility considerations.

### Next steps

The full guide has been shared with management for consideration as part of the preparation for the 2022/23 Annual Report and Accounts and is available at Good practice in annual reporting - National Audit Office (NAO) insight

# Appendices



# Prior year audit adjustments

## Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the prior year audit:

| | | Credit/(Charge) to the CIES £'m | Increase/ (Decrease) in net assets £'m | Increase/ (Decrease) in Reserves £'m |
|---|---|---|---|---|
| **Factual misstatements** | | | | |
| Pension Liability | [1] | | 2,295 | |
| Other Comprehensive Income | [1] | (2,295) | | |
| **Total** | | **(2,295)** | **2,295** | |

(1) The auditors of Falkirk Pension Fund advised that there was an error in the pension data used to prepare Stirling Council unaudited accounts. The impact of this for the Stirling Council accounts would have reduced the value of the pension liability by £2.295 million and increased Other Comprehensive Income by the same amount. This was not amended in the Stirling Council audited accounts and was not judged to be a material issue by the prior year auditors.

Written representations were obtained from the Council confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the Annual Report and Accounts taken as a whole, no adjustments were required.

# Our other responsibilities explained

## Fraud responsibilities

**Your Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

**Our responsibilities:**

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in property valuations, capital expenditure and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.

**Fraud Characteristics:**

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

# Our other responsibilities explained (continued)

## Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:

**Management and other personnel:**

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

**Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

**Those charged with governance**

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

| | |
|---|---|
| Independence confirmation | We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2023 in our final report to the Audit Committee. |
| Fees | The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below: |

| | £ |
|---|---|
| Auditor remuneration | 228,370 |
| Audit Scotland fixed charges: | |
| • Pooled costs | 0 |
| • Contribution to PABV costs | 57,320 |
| • Audit support costs | 8,660 |
| • Sectoral cap adjustment | (5,210) |
| **Total expected fee** | **289,140** |

In addition to the above, there will be a fee for the audit of the charitable trusts which will be agreed and discussed with management.

There are no non-audit fees.

| | |
|---|---|
| Non-audit services | In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. |
| Relationships | We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties. |

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**Stirling Council**

Agenda Item No. 14

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Stirling Council Draft Accounts 2022/23

## Purpose

The purpose of this report is to ask Audit Committee to consider the draft Stirling Council accounts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation and the Council's Financial Regulations, the Audit Committee has responsibility for approving the audited Accounts for each financial year, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014

The report outlines the key features of the financial position displayed in the 2022/23 draft accounts, incorporating a brief overview of the General Fund and Housing Revenue Account (HRA) revenue outturn positions as at 31 March 2023.

## Recommendations

Audit Committee is asked to:

1. consider the General Fund and HRA revenue outturn positions as at 31 March 2023;
2. consider the position in terms of the Council's share of the net pension asset of the Local Government Pension Scheme; and
3. consider the Stirling Council draft accounts prior to their submission to the external auditor.

## Resource Implications

The proposed audit fee for the 2022/23 audit of Stirling Council is £289,140 (2021/22: £254,870). In addition, the proposed fee for the audit of the Charitable Trust accounts administered by Stirling Council will be discussed and agreed with the Auditor (2021/22: £1,367).

In determining the audit fee, the external auditor has taken account of the risk exposure of the Council, the planned management assurances in place and the level of reliance from the work of internal audit.

## Legal & Risk Implications

Section 8 of the Local Authority Accounts (Scotland) Regulations 2014 requires the Council to prepare its Annual Accounts in accordance with the Regulations and with proper accounting practice. Failure to prepare Annual Accounts on this basis could lead to criticism from the appointed external auditor and a qualified external audit opinion.

In terms of the Council's Scheme of Delegation and the Council's Financial Regulations, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts.

# 1. Background

1.1. The draft Stirling Council Accounts for the year to 31 March 2023 have been prepared for audit. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the Council or a Committee of the Council charged with audit or governance must meet to consider the unaudited Annual Accounts as submitted to the auditor.

1.2. Electronic copies of the accounts will be emailed to all Members in due course. They will also be placed on the public website.

1.3. This report outlines the key features of the financial position displayed in the 2022/23 draft accounts, incorporating a brief overview of the General Fund and HRA revenue outturn positions as at 31 March 2023.

1.4. The draft accounts show the Council ending the year with uncommitted General Fund balances of £5.682m (2.3% of the 2022/23 budget). Although the reported outturn is expected to represent the final position for 2022/23, the figures remain subject to audit.

# 2. Considerations

2.1 The key features of the financial position displayed in the draft Accounts are set out below.

**General Fund**

2.2 Services are reporting an overspend of £1.113m, which is the position prior to the inclusion of the Health & Social Care Partnership (HSCP), where the final outturn is showing an underspend of £1.870m. In accordance with the terms of the HSCP Integration Scheme, any underspend is treated as monies owed to the HSCP and is reflected as a Stirling Council creditor. This results in a breakeven position for the Stirling Council element of HSCP.

2.3 Corporate areas of the budget are showing a net overspend of £3.398m, which includes a minor redetermination of General Revenue Grant (£10k), a shortfall in budgeted Council Tax income (£289k), a contribution to the Branshogle and Catter Burn bridge repairs (£195k), the transfer of funding to the Transformation Fund (£1.82m) and the unfunded element of the 2022/23 pay award (£2.227m). These costs are being partly offset by a minor saving in the contributions to the Valuation Joint Board (£13k), a saving in compensatory added years' pension payments (£108k) and a saving from loan charges (£1.022m).

2.4 Uncommitted General Fund reserves (including HSCP outturns) are £5.682m, being 2.3% of General Fund budget and therefore within the target range of 2% to 2.5% (£5.1m to £6.3m).

2.5 The reported reserves position is prior to taking account of the remaining committed contribution of £573k in 2023/24 to the Branshogle and Catter Burn bridge repairs. This contribution will bring the reported level of uncommitted reserves down to £5.109m (2% of General Fund budget), and therefore at the minimum target level.

2.6 However, the Council budget meeting on 2 March 2023 agreed to allocate the sum of £1m from Service Concession monies to uncommitted reserves in 2023/24. This allocation of £1m will ensure that the Council's uncommitted reserves remain within the target level.

**Housing Revenue Account (HRA)**

2.7 Stirling Council owns 5,960 houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated. Any surplus or deficit at the end of the year is transferred into or out of the HRA balances. For 2022/23, HRA is reporting a balanced budget position resulting in HRA balances of £986k.

**Pension Costs**

2.8 Under International Accounting Standard 19 (IAS19), Stirling Council is required to disclose information regarding the pension fund assets and liabilities of the Local Government Pension Scheme. Hymans Robertson, an independent firm of actuaries, has calculated a net asset position on the Scheme as at 31 March 2023, with Stirling Council's share being £67.3m. This represents an improvement of £272.2m when compared with the net liability position of £204.9m as at 31 March 2022.

2.9 The improvement is principally due to a favourable gain from a rise in the corporate bond yield (which is used to place a value on pension fund liabilities), which has served to significantly reduce the pension liability position.

2.10 Employer's contributions to the pension fund during 2022/23 were charged at 22.5% of total pensionable employee pay in line with actuarial advice. Following the formal fund valuation undertaken at 31 March 2020, the actuary has recommended that contributions increase to 23% for 2023/24.

2.11 The next formal fund valuation takes place as at 31 March 2023 with the results of this expected by the end of the current calendar year. The results will inform the employer's contributions for the period 2024/25 to 2026/27.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2022/23 Stirling Council Accounts and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Revenue Budget & Determination of Council Tax 2023/24 report - Stirling Council Meeting, 2 March 2023 and relevant minute of the meeting.

## 5. Appendices

5.1 Appendix 1 - Stirling Council Draft Abstract of Accounts 2022/23.

Author(s)

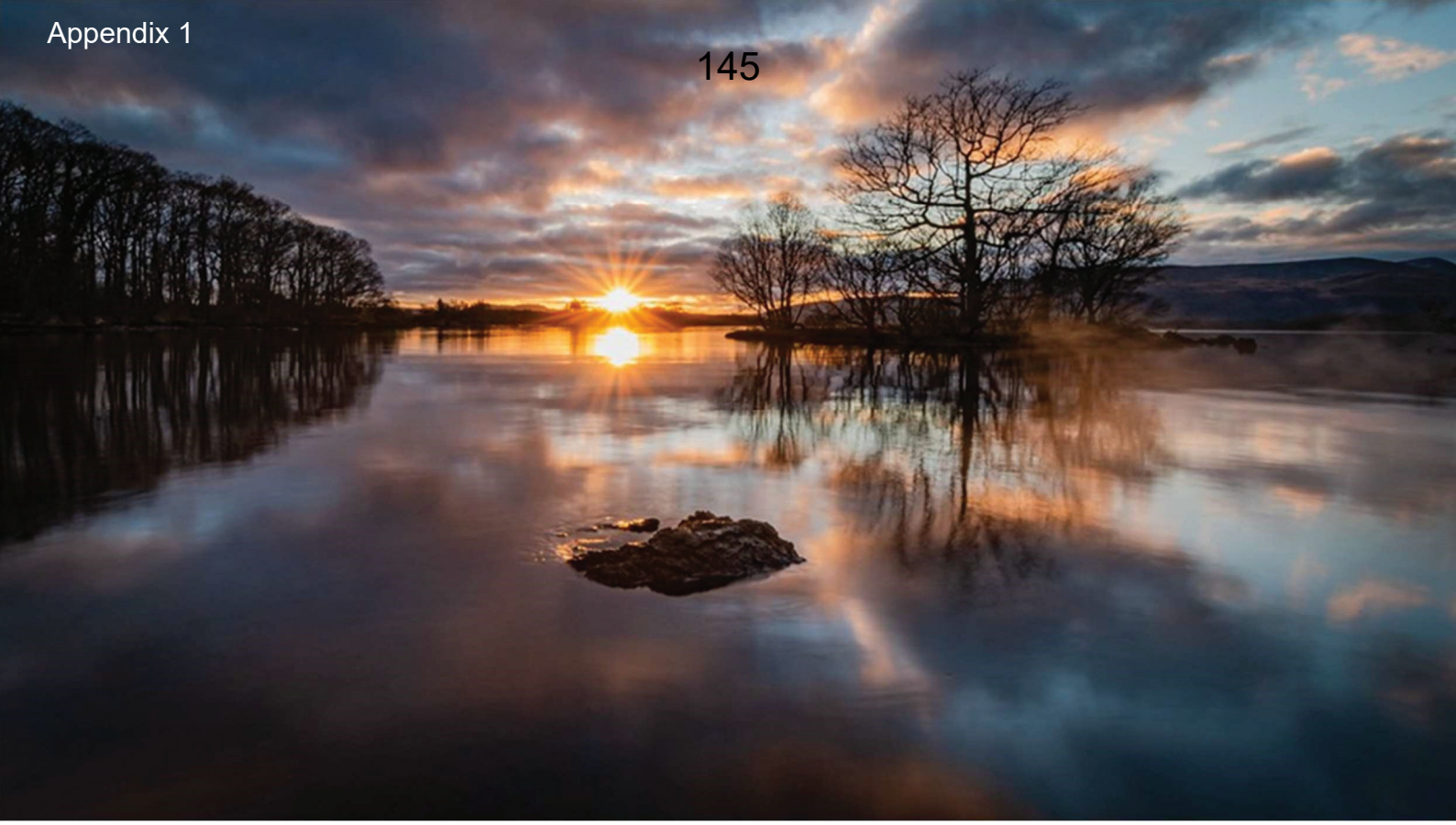
| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| George Murphy | Finance Service Manager | 01786 233356<br>murphyg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Kirsty Stanners | Chief Officer - Finance | 29 May 2023 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All. |
| Key Priorities: | All. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |



Loch Lomond Sunset (afrosoul67)

# STIRLING COUNCIL
# ABSTRACT OF ACCOUNTS
# 2022/23

## Subject to Audit

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**Independent auditor's report to the members of Stirling Council and the Accounts Commission**

**To follow**

# Management Commentary

The purpose of the Management Commentary is to present an overview of Stirling Council's performance during the 2022/23 financial year and to help readers understand its financial position at 31 March 2023. In addition, it outlines the main issues and risks that may impact the performance of the Council in the future.

The Council also works closely with Stirling and Clackmannanshire Health and Social Care Partnership, which delivers adult care services across the region, and with Active Stirling which delivers leisure services. The structure of Stirling Council is set out below:

## Stirling Council's structure

CHIEF EXECUTIVE OFFICE
Responsible for development of corporate policy, particularly in the areas of social inclusion, equalities, best value and efficient government.
EDUCATION
Responsibilities include primary and secondary schools, early learning and childcare, additional support needs, education psychology and youth services.
CHILDREN AND FAMILIES
Responsibilities include children's social work services and criminal justice social work services.
INFRASTRUCTURE
Services include planning, building standards, property, transport, parking, environmental health, trading standards, and climate change & sustainability.
ENVIRONMENT AND PLACE
Services include waste and recycling, roads and street lighting, traffic management, land services and council vehicle management.
ECONOMIC DEVELOPMENT AND CULTURE
Responsibilities include economic development, delivery of the Stirling and Clackmannanshire City Region Deal, culture, tourism and events.
HOUSING
Services include allocations, homelessness, repairs, private sector housing, and income management.
PEOPLE AND COMMUNITY WELLBEING
Responsibilities include human resources, organisational development, communications, community, resilience, support services and libraries.
CUSTOMER SERVICE AND PERFORMANCE
Services include customer services and performance, information technology, business planning and transformation.
GOVERNANCE
Responsibilities include audit, legal, counter fraud, licensing, records & information, governance, committee, elections and elected member support.
FINANCE
Responsibilities include council tax, benefits, accounting, and procurement.

Stirling Council, one of 32 local authorities in Scotland, was established by the Local Government Scotland Act and came into being on 1 April 1996.

It provides services to 93,500 residents in the entire Stirling area, which has a mixed geography, comprising the city of Stirling, towns of Bridge of Allan, Dunblane, Doune and Callender, along with many villages. The areas also comprises part of Loch Lomond and The Trossachs National Park.

Local Government elections take place every 5 years. Polling for the most recent government elections took place on Thursday 5 May 2022, resulting in 23 councillors being elected to Stirling Council across 7 electoral wards. Since that date, one by-election has been held and, as a result, the Council is comprised as follows:

| LAB | CON | SNP | GRE | IND |
|---|---|---|---|---|
| 5 | 8 | 7 | 1 | 2 |

The kind of services that the Council provides includes housing, economic development, nursery, primary and secondary education, roads and waste services as outlined below:

## The kind of services the Council provides

The Council is also part of a wider Group, with partnerships spanning a number of organisations to different degrees:

## Our Aims and Objectives

Stirling Council is committed to ensuring the best possible outcomes for **everyone** who lives in the Stirling area, and we continue to work alongside our partners in achieving this goal. As a Council, our vision for Stirling is a place where everyone can thrive, and together with our partners and communities, we are driving forward an ambitious programme of change to achieve this. Stirling Council's ten year strategy '**Thriving Stirling**', (10 year strategy | Stirling Council), delivers a blueprint for innovation and change to address the rapidly evolving landscape within which the Council delivers services.

The strategy sets out the prospects we see for our communities, organisation and workforce, to be clear about our strategic priorities and explain how we will be adaptive. Our Thriving Stirling Strategy supports the four key **Stirling Plan** outcomes (**Prosperous, Healthy, Achieving and Resilient**).

The Thriving Stirling Strategy is underpinned by the Council's ten strategic priorities, agreed by the Council in December 2022 and to be delivered within the five years of its terms (2022 – 2027).

ThrivingStirling

STRATEGIC PRINCIPLES
ThrivingStirling
Community Wealth Building
Public Transport
Cost of Living
Quality Standards in Service Delivery
PRIORITIES
1
Improve the quality of life by providing responsive services that ensure our neighbourhoods are attractive, safe and happy for everyone.
2
Providing quality services people need and maintaining effective relationships with our staff and external organisations.
3
Building community capacity and empowering citizens through participation and partnerships.
4
Developing a competitive and thriving sustainable local economy across Stirling.
5
Improving health and wellbeing outcomes ensuring equal access to opportunities that help our citizens and communities thrive.
6
Embedding digital and physical connectivity and accelerating infrastructure development.
7
Ensuring our young people have access to the best quality education enabling the best start in life.
8
Tackling the climate and nature emergency and pursuing our net zero ambition through action.
9
Investing in wellbeing, including sport, leisure, food & nutrition, culture and events.
10
Continuing investment in housing, learning & education to address health and wellbeing inequalities.
STRATEGIC DELIVERY
3-year Business Plan
10-year Strategy
The Promise
Economic Strategy
Climate and Nature Emergency Plan

## Recovery from Covid-19

Whilst measures such as lockdowns were no longer a feature of day-to-day life during 2022/23, the ongoing impacts of the Covid-19 pandemic continues to be felt by the Council and its residents. In terms of service delivery, governance, financial management and outlook, the pandemic has fundamentally changed how the Councils operates and is likely to operate for many years.

Many of the Council's workforce continued to operate on a hybrid basis, with Council now moving forward with an Accommodation Strategy and Plan which will seek to reduce the Council's property footprint to reflect this new way of working and to realise efficiency savings as a result. Council meetings are also now hybrid and live streamed using the Public-i system.

Use of car parks, public transport and footfall in our towns and cities has still not returned to pre-pandemic levels, with the result that some income streams may never recover to those pre-2020.

The post-pandemic recovery was impacted by the high inflationary environment and cost-of-living crisis during 2022/23. The Council continued to support businesses, communities and vulnerable citizens with measures such as free school meal payments during school holidays, discretionary grants including those to assist with high energy costs and providing additional funding for the Council's Welfare Fund.

The Council continued to make use of the remaining additional Covid-19 funding which was provided by the Scottish Government in 2020/21 and 2021/22 on a one-off basis to mitigate the additional cost of providing this support.

## Financial Strategy

The Council's financial strategy supports the delivery of the Council's strategic priorities, which were agreed in December 2022. Financial strategy enables the Council to target its resources effectively and efficiently in order to achieve its priorities, and to do so in a way which ensures the Council remains financially sustainable in the long term. As outlined in the ten-year Thriving Stirling strategy, the Council has developed a longer term approach to financial planning and budgeting over many years.

The Council takes a strategic approach to managing its revenue spend, capital investment and treasury requirements:

- A Draft Three Year Budget Position (2023/24-2025/26) was presented to the Council in March 2023, along with the 2023/24 balanced budget. This indicated a cumulative £17.536m budget gap over the period, which the Council must address through transformation and service redesign. Work is currently underway to develop a comprehensive five-year Medium Term Financial Plan, which will further articulate the extent of the financial challenges the Council faces in the medium to long term, and will further inform the Council's long term transformation programme – this will be published in 2023/24.

- A Capital Strategy Framework was presented to Council in March 2023, detailing how the capital programme will contribute towards delivery of the Council's plans and priorities. This considers the key outcomes as outlined in The Stirling Plan, in addition to other external and internal influences on the Council's capital investment. Work is currently underway to refine this into a medium-term Capital Strategy which will outline how capital investment across Council services will enable the Council to achieve its longer term strategic objectives – this will be published in 2023/24.

- The Treasury Management Strategy 2023/24 was presented to Council in March 2023, outlining how the Council will ensure that its short-term liquidity requirements and longer term capital investment proposals will be funded. The Strategy illustrates how treasury risks in relation to

borrowings and cash and cash equivalents are managed effectively and in accordance with the principles of the CIPFA Prudential Code, to ensure the long term financial sustainability of the Council.

## Our Performance

### Our Vision, Outcomes and Priorities

Stirling's first Local Outcomes Improvement Plan (LOIP) is known as the Stirling Plan.

The consistent message from the different types and sources of information about the lives of people living in Stirling is, that whilst the area is doing reasonably well overall, there are real and significant inequalities between our most and least disadvantaged that stubbornly persist.

Stirling's Community Planning Partnership has a simple, yet powerful, vision for the Stirling Plan, that within the ten years of this focused, collaborative and targeted approach, our communities in Stirling will become places 'where everyone can thrive'.

This Plan captures the leadership commitment and targeted strategic response of community planning partners to organise activity and resources to make sure that collective efforts are focused on realising our vision. This will mean reducing inequalities and making a real difference to the lives of families who are most in need.

The Stirling Plan will focus partnership delivery towards four cross-cutting priority outcomes:

- Prosperous: People are part of a prosperous economy that promotes inclusive growth opportunities across our communities
- Healthy: People are healthy and live active, full and positive lives within supportive communities
- Achieving: People are skilled and supported to make a positive contribution to our communities
- Resilient: People are part of safe and caring communities within an attractive and sustainable environment.

Following the election of the new Council after the local government election in May 2022, the new administration worked to set its strategic priorities for the next five years.

Stirling Council's Strategic Priorities set out the overarching principles to guide future decision making for the Council over the period 2022-27. The priorities were proactive and responsive to the needs of residents and businesses in a fast-changing environment, and will build for the future while respecting Stirling's culture and heritage. These also priorities provide the foundation of the strategic planning, performance and improvement framework, providing the starting point for a more outcomes-focused approach.

As noted earlier, in December 2022, the Council agreed the following strategic priorities based on the principle of, and commitment to, achieving the best possible outcomes for Stirling's residents, communities, businesses, partners and stakeholders:

1. Improving the quality of life by providing responsive services that ensure our neighbourhoods are attractive, safe and happy for everyone.
2. Providing quality services people need and maintaining effective relationships with our staff and external organisations.
3. Building community capacity and empowering citizens through participation and partnerships.
4. Developing a competitive and thriving sustainable local economy across Stirling.
5. Improving health and wellbeing outcomes ensuring equal access to opportunities that help our citizens and communities thrive.
6. Embedding digital and physical connectivity and accelerating infrastructure development.

7. Ensuring our young people have access to the best quality education enabling the best start in life.
8. Tackling the climate and nature emergency and pursuing our net zero ambition through action.
9. Investing in wellbeing, including sport, leisure, food & nutrition, culture and events.
10. Continuing investment in housing to address health and wellbeing inequalities.

## Performance and Accountability

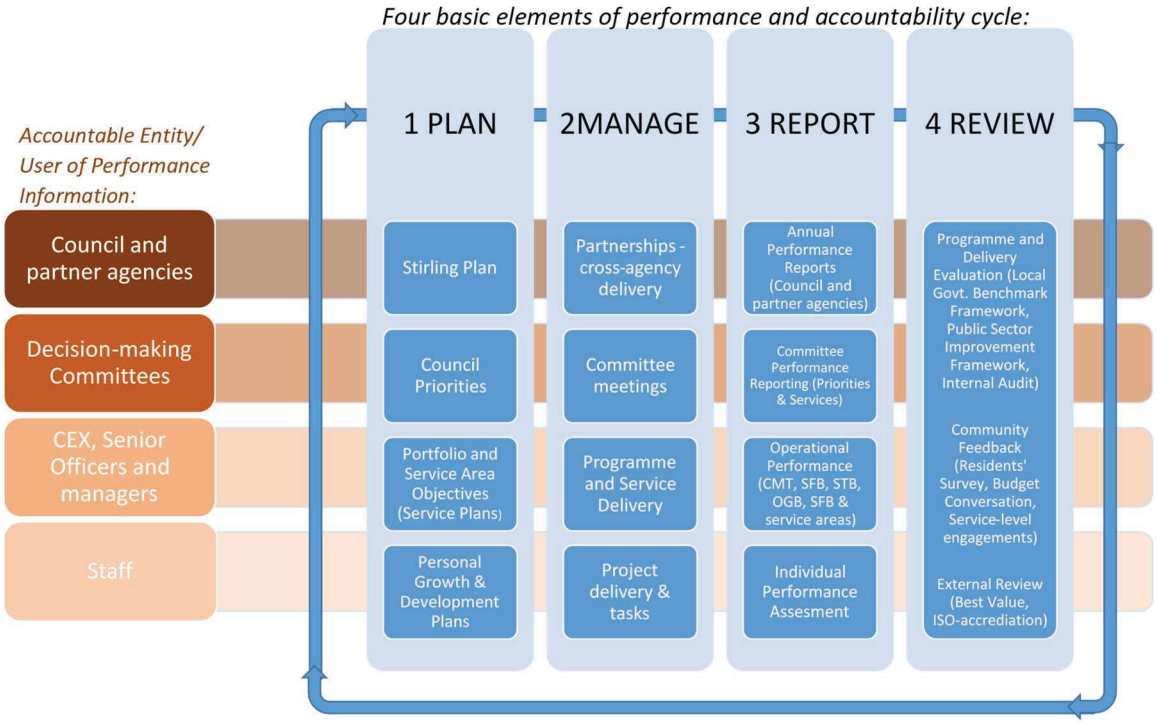
Performance and accountability draws on a range of mechanisms including statutory and regulatory requirements; regional local plans and performance criteria; national and inter-agency agreements: industry and sector best practice; internal evaluations; independent reviews; and government performance and management guidelines. The Council's challenge in managing performance and accountability is to bring these together in a coherent and practical way that can be used every day.

Good performance and accountability involves a cycle of continuous review and improvement, with the review stage informing the planning of the next cycle. The four basic elements of this cycle are:

- planning objectives and actions;
- managing or delivering services;
- reporting on the performance of the service provided; and
- reviewing and evaluating outcomes.

Additionally, each of these elements occurs and looks different across the hierarchy of the Council. In general, the higher the level of performance and accountability, the longer its cycle and the less concerned it should be with detail or the minutiae of things. For instance, the Council's strategic priorities are reviewed for every new term of a political administration (that is, every five years), but the Council's performance is delivered, reported and refined annually.

Stirling Council's Performance and Accountability Framework – showing the cycle and hierarchy:


Four basic elements of performance and accountability cycle:
Accountable Entity/ User of Performance Information:
Council and partner agencies
Decision-making Committees
CEX, Senior Officers and managers
Staff
1 PLAN
2MANAGE
3 REPORT
4 REVIEW
Stirling Plan
Council Priorities
Portfolio and Service Area Objectives (Service Plans)
Personal Growth & Development Plans
Partnerships - cross-agency delivery
Committee meetings
Programme and Service Delivery
Project delivery & tasks
Annual Performance Reports (Council and partner agencies)
Committee Performance Reporting (Priorities & Services)
Operational Performance (CMT, SFB, STB, OGB, SFB & service areas)
Individual Performance Assesment
Programme and Delivery Evaluation (Local Govt. Benchmark Framework, Public Sector Improvement Framework, Internal Audit)
Community Feedback (Residents' Survey, Budget Conversation, Service-level engagements)
External Review (Best Value, ISO-accrediation)

Throughout 2022-23, the Council has continued to strengthen the alignment between performance management and strategic plans and priorities by full implementation of the Outcomes Based Accountability (OBA) approach following confirmation of the Council's strategic priorities. The goal of the

new approach is to ensure strategic priorities are delivered through clear lines of accountability and delivery, through understanding performance and tangible plans for improvement within appropriate timeframes.

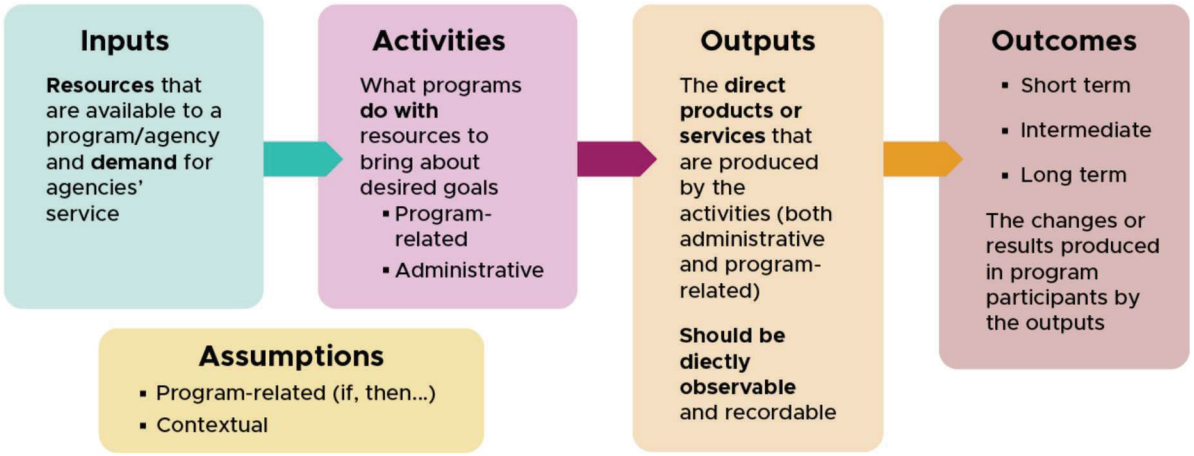
In November 2021, Stirling's Future Board agreed a new Planning, Performance and Improvement approach for the Council. The approach adopts OBA to provide a framework for planning and performance, working across organisational boundaries to focus on strategic outcomes.

The Corporate Management Team has been implementing an OBA approach to how it plans to deliver on the priorities and how to measure performance against the priorities, working across organisational boundaries to deliver on outcomes for the residents of Stirling.

OBA is a disciplined way of thinking and taking action to drive improvements in outcomes for residents, and has been used by organisations to improve the performance of their programmes. OBA is an evidence-based process that works backwards from the priority or outcome, to identify the actions which are needed to achieve that outcome.

This is visualised through the development of a logic model, or theory of change.

A logic model is a graphical representation of how a program's resources and activities work toward creating an intended change. A logic model serves as a road map for delivery and allows evaluation.


Inputs
Resources that are available to a program/agency and demand for agencies' service
Activities
What programs do with resources to bring about desired goals
Program-related
Administrative
Outputs
The direct products or services that are produced by the activities (both administrative and program-related)
Should be diectly observable and recordable
Outcomes
Short term
Intermediate
Long term
The changes or results produced in program participants by the outputs
Assumptions
Program-related (if, then...)
Contextual

## Local Government Benchmarking Framework

The Council is required to report on performance in accordance with the Local Government Benchmark Framework (LGBF). This framework is a set of performance indicators developed for Scottish councils to compare performance and encourage shared learning and continuous improvement.

The 2021/22 LGBF data showed that Stirling Council had:

- 25 indicators in the top 25% of councils in terms of performance;
- 37 indicators in the bottom in the bottom 35% of councils in terms of performance;
- 16 indicators where the ranked position was static;
- 47 indicators that had improved their ranked position since the previous year;
- 36 indicators where the ranked position had declined since the previous year.

## Public Performance Reports

The Council is required to report on a range on information sufficient to demonstrate that it is securing best value across the range of services that it provides.

Performance dashboards for various Services across the Council can be found on the Council's website at the following path: Public Performance Reporting | Stirling Council.

Service Update Report and Operational Performance Reports are reported to the relevant Council Committee and can be found on the Council's website at the following path: Minutes and agendas | Stirling Council.

LGBF data can be found at: Explore the data | Benchmarking (improvementservice.org.uk).

## Risk Management

The Council's Risk Management Policy (the Policy) outlines key responsibilities for ensuring the effective management of risks to the Council's strategic and service objectives. Application of the Policy is supported by procedures, guidance on assessing risk and a risk appetite statement. Stirling Council's Policy, procedures and risk appetite statement will be reviewed and updated during 2023/4.

Stirling Council maintains a Strategic Risk Register (SRR). The SRR documents the key risks that may impact on the Council's ability to deliver on its priorities and key objectives. Under powers delegated by Council the Audit Committee undertakes regular scrutiny of the SRR and challenges the effectiveness of the risk treatments put in place by risk owners.

Operational Risk Registers (ORRs) are maintained by each Council Service. The purpose of these ORRs is to ensure that risks generated by, or likely to impact on, each Service are managed effectively. These are reviewed and updated on an ongoing basis to take account of changes in the operating environment affecting the Service. Significant operational risks may be escalated to the Strategic Risk Register.

Strategic risks are submitted to the Audit Committee for regular scrutiny and oversight.

## Our Key Risks

The Strategic Risk Register currently sets out 42 separate risks along with the potential consequences arising from each risk and the controls in place to mitigate that risk. Examples of 'Red' risks, based on an assessment of likelihood and impact, are as follows:

| |
|---|
| **Failure to deliver services within the agreed and balanced revenue budget:**<br><br>This relates to the management of risks to the delivery of statutory and other services in line with the annual budget approved by Council. Mitigations include the monitoring of budgets and agreed savings targets and challenge by professional Finance team staff. |
| **Failure to proportionately respond to the ongoing ecological emergency and climate change:**<br><br>This involves managing risks relating to the achievement of targets set out in the Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. Actions taken in terms of the Council's Climate and Nature Emergency and Climate Adaptation Plans assist in mitigating this risk. |

| |
|---|
| **Increasing cost of living and the impact on communities:**<br><br>This risk arises from additional demands on Council services due to increasing financial hardship. This risk is principally managed through developing a programme of community support and advice, improving accessibility to Council services and developing relationships with community organisations and voluntary services. |
| **Failure to plan and progress the required level of transformational change:**<br><br>This relates to the management of risks to the Council's ability to transform the way it delivers services, realising savings and resulting in better customer experience. Governance and operational structures are in place to manage a wide ranging and ambitious portfolio of transformation projects, with regular scrutiny and challenge via officer boards and elected Members. |
| **Delays in the supply chain caused by local or global materials shortages:**<br><br>The increasing cost and limited availability of goods and services impacts on the Council's ability to deliver front line services. Regular review of key capital projects and controls in relation to the procurement of Council goods and services help mitigate this risk. |

## Key Financial Ratios

The following table provides information regarding the financial performance of the Council and the affordability of its ongoing commitments:

| Financial Indicator | 2022/23 | 2021/22 | Commentary |
|---|---|---|---|
| **Uncommitted General Fund reserve as a % of annual net budget** | 2.3% | 4.5% | Reflects the amount of funding available to manage unplanned events. The Council's Reserves Policy states a minimum level of 2% - 2.5% of net budget, which is considered appropriate in the context of the Council's financial and ongoing risk profile.<br><br>Reserves have risen in recent years through a conscious decision to pursue a strategy of managing them to a higher level, which will help towards meeting the cost of transformational change. |
| **In year council tax collection** | 97.85% | 97.68% | Reflects Stirling Council's effectiveness in collecting council tax debt. Stirling has one of the highest Council tax collection rates in Scotland. |
| **Council Tax funding to overall level of funding** | 21.7% | 22.5% | Reflects the overall percentage of Stirling Council funding that is received from local taxation. This indicator is in line with all other local authorities. |
| **Actual outturn compared to budgeted expenditure** | 101.8% | 100.7% | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year, and reflects continuing sound financial management across the Council. |
| **Capital financing requirement** | £271.470m | £265.485m | Reflects Stirling Council's underlying need to borrow to finance capital expenditure incurred historically by the Council that has yet to be financed. (See Note 16) |

| Financial Indicator | 2022/23 | 2021/22 | Commentary |
|---|---|---|---|
| **External debt levels** | £212.888m | £192.839m | The actual external debt and long term liabilities position of Stirling Council. |
| | £205.488m | £185.299m | Excluding debt associated with other statutory bodies |
| | £11.973m | £325.578m | The actual figures above should never exceed Stirling Council's Authorised Debt Limits, which are calculated in line with the requirements of the Prudential Code for Capital Finance in local Authorities. |
| **Ratio of finance costs to net revenue stream** | General Fund 6% | General Fund 7%* | This is a measure of how affordable Stirling Council's capital plans are. It takes actual finance costs as a % of net revenue spend. *If additional COVID-19 grant funding is excluded from General Revenue Grants, this figure would be 8%. |
| | HRA 17% | HRA 19% | |

## Financial Performance

### Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its financial position at 31 March 2023 and its cashflows. The annual accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of the Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

The Primary Statements include the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS), Balance Sheet and Cashflow Statement. These statements are accompanied by notes to the accounts which provide more details on the figures shown in the statements and set out the accounting policies adopted by the Council.

The CIES presents the total cost of providing Council Services in 2022/23 along with the income available to fund those services.

### Usable Reserves

The Council holds funds in a number of Usable Reserves for various purposes. A breakdown of these Reserves is shown below:

**General Fund Non-Earmarked Reserve**

**£5.682m**

**(2021/22 £10.193m)**

Funds held as a general contingency

**General Fund Earmarked Reserve**

**£24.176m**

**(2021/22 £34.238m)**

Funds held for specific purposes – see note 12

**Housing Revenue Account**

**£0.986m**

**(2021/22 £0.986m)**

For spending on the Council's housing stock

**Repairs & Renewals Fund**

**£1.838m**

**(2021/22 £2.256m)**
For specific types of repair and maintenance work

**Insurance Fund**

**£0.352m**

**(2021/22 £0.653m)**
Insurance for items not covered by external insurance policies

**Capital Receipts Reserve**

**£1.465m**

**(2021/22 £1.238m)**
Capital receipts generally available to finance future capital expenditure

**Capital Grants & Receipts Unapplied Account**

**£1.097m**

**(2021/22 £1.719m)**
Capital receipts received (in-year), together with capital grants that have yet to be applied to meet capital expenditure

**Total Useable Reserves**

**£35.596m**

**(2021/22 £51.283m)**

**The Movement in Reserves Statement provides more detail on these reserves**

## General Fund Revenue Outturn 2022/23

General Fund Reserves are split between non-earmarked reserves (the level of funding available to Stirling Council to manage financial risks and unplanned expenditure) and earmarked reserves, which have been set aside for specific purposes (see note 12).

Actual outturns against budget for each of the Council's General Fund Service areas are as follows:

| | Budget 2022/23 £000 | Outturn 2022/23 £000 | Variance 2022/23 £000 |
|---|---|---|---|
| Chief Executive Office | 398 | 398 | - |
| Housing | 2,477 | 2,358 | (119) |
| People & Community Wellbeing | 11,336 | 11,039 | (297) |
| Customer Services & Performance | 9,132 | 9,225 | 93 |
| Children & Families | 11,707 | 11,429 | (278) |
| Schools & Learning | 104,333 | 102,870 | (1,463) |
| Balfron PFI & Schools PPP | 16,952 | 17,844 | 892 |
| Environment and Place | 19,526 | 20,841 | 1,315 |
| Infrastructure | 14,583 | 15,717 | 1,134 |
| Economic Development and Culture | 1,939 | 1,771 | (168) |
| City Region Deal | 244 | 244 | - |
| Finance | 4,210 | 4,210 | - |
| Governance | 2,523 | 2,527 | - |
| **Cost of Services** | **199,360** | **200,473** | **1,113** |
| Corporate Budgets | 4,319 | 7,418 | 3,099 |
| Government Grants & Non Domestic Rates | (197,393) | (197,383) | 10 |
| Council Tax Income | (54,940) | (54,651) | 289 |
| **Net Deficit for Year (excluding HSCP)** | **(48,654)** | **(44,143)** | 4,511 |

| | Budget 2022/23 £000 | Outturn 2022/23 £000 | Variance 2022/23 £000 |
|---|---|---|---|
| Clacks & Stirling Health & Social Care Partnership | 48,654 | 48,654 | - |
| **Net Deficit for Year (including HSCP)** | **-** | **4,511** | **4,511** |
| Uncommitted Reserves 1 April 2022 | (10,193) | (10,193) | - |
| Net Deficit for Year | - | 4,511 | 4,511 |
| **Uncommitted Reserves 31 March 2023** | **(10,193)** | **(5,682)** | **4,511** |

Services reported a net overspend of £1.113m with the more significant variances arising in the following Service areas:

- Schools & Learning reported a net underspend of £1.463m, with underspends in the areas of nursery fee income (£0.168m), Additional Support Needs (£0.495m) and Teacher staffing costs (£0.654m), being partly offset by an overspend in Facilities Management (£0.342m).
- The Balfron PFI/Schools PPP unitary charge payments were overspent by £0.892m as a result of significant inflationary increases impacting on the contracts.
- Within Environment and Place, Road Services reported an overspend of £0.933m, primarily from inflationary pressures related to fuel, construction materials and sub-contractors' prices, together with lower than anticipated income levels from capital projects. Waste Services reported an overspend of £0.459m primarily in relation to fuel, waste haulage and disposal costs, additional vehicle hire and fleet maintenance costs.
- Within Infrastructure, significant overspends of £0.976m were reported across energy budgets, with car parking budgets reporting reduced income levels of £0.350m.

Corporate areas of the budget reported a net overspend of £3.099m, which included a contribution to the Branshogle and Catter Burn bridge repairs (£0.195m), the transfer of funding to the Transformation Fund (£1.82m) and the unfunded element of the 2022/23 pay award (£2.227m). These costs were partly offset by a minor saving in the contributions to the Valuation Joint Board (£0.013m), a saving in compensatory added years' pension payments (£0.108m) and a saving from loan charges (£1.022m).

General Revenue Grant redeterminations resulted in a minor shortfall of £0.010m against original budget estimates, with Council Tax income reporting a shortfall of £0.289m against target as a result of the impact of higher than anticipated Council Tax exemption awards.

The Health & Social Care Partnership (HSCP) reported an underspend of £1.870m. However, in accordance with the terms of the HSCP Integration Scheme, any underspend is treated as monies owed to the HSCP, and is therefore reflected as a creditor within Stirling Council's balance sheet as at 31 March 2023. This results in a breakeven position for the Stirling Council element of the HSCP.

Uncommitted General Fund reserves at 31 March 2023 were £5.682m, being 2.3% of General Fund budget and therefore within the target range of 2% to 2.5% (£5m to £6.3m). In addition to uncommitted reserves, during 2022/23, earmarked reserves moved from £34.238m to £24.176m, representing a reduction of £10.062m. All earmarked reserves movements are outlined in note 12.

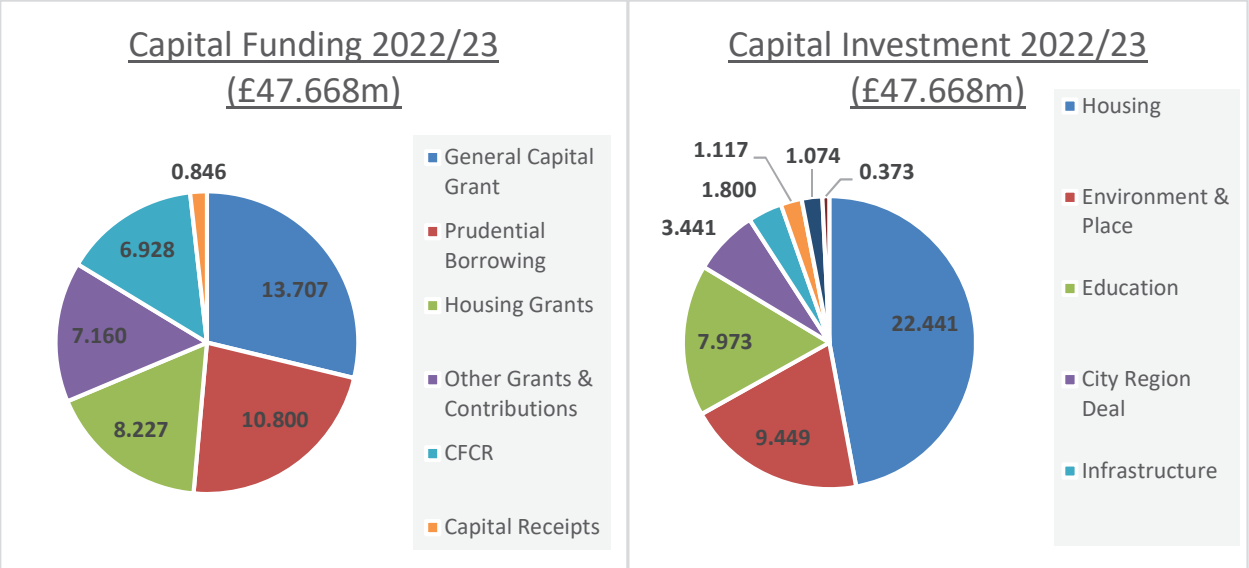
Overall, the movement in non-earmarked and earmarked General Fund reserves amounted to a net decrease of £14.573m for 2022/23. Taken together with other reserves' movements, overall usable reserves reduced by £15.687m as outlined in the Movement in Reserves Statement.

## Capital Outturn 2022/23

Capital expenditure represents money spent by the Council for buying, upgrading or improving assets such as buildings and roads. The difference between capital and revenue expenditure is that the Council receives the benefit from capital expenditure over a period exceeding one year.

| | |
|---|---|
| **£47.7m** | Actual capital expenditure incurred in 2022/23 |
| **£47.7m** | Actual capital funding identified in 2022/23 |
| **£16.6m** | Underspend due to expenditure not meeting the profile assumed in the capital programme. (Net position: General Services £20.1m underspend; HRA £3.5m overspend)<br>Further information is provided on Page 67 'Capital Commitments'. |

The following graphs provide further detail of capital funding (by source) and capital investment (by service area):




## Treasury Management and Investment

Stirling Council defines its Treasury Management activities as "the management of the Council's borrowing, investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The most recent Treasury Management Strategy was approved by the full Council on 2 March 2023. The Treasury Management Strategy links directly with the Council's Capital Strategy and incorporates capital investment plans, Treasury Management and loans fund activities and relevant prudential indicators. A mid-year Treasury Management Strategy update and annual Performance Review is also presented to a meeting of the full Council. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management function is to ensure that this cash flow is adequately planned, with cash being available when it is required.

The second aspect of the Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or the restructuring of existing debt.

In accordance with the approved strategy, Treasury Management activity during 2022/23 continued to maintain the Council's loan portfolio on a strong, low-risk, long-term basis with due consideration of budget requirements to minimise the cost of debt. Prudent cash-flow management with on-going short-term, operational, investment of surpluses together with the phasing of capital expenditure, favourable terms for temporary borrowing and the deferring on new long-term borrowing resulted in loans fund

savings. For 2022/23, the loans fund pooled rate was 4.18% (3.32% in 2021/22) and resulted in savings against loans charges of £1.022m for General Services and £0.716m for Housing Revenue Account.

The Council's Treasury Management Strategy Statement can be found on the Council's website at: https://www.stirling.gov.uk/council-and-committees/minutes-and-agendas/.

## Group Accounts

Stirling Council has a controlling interest in a number of companies and joint ventures, which were set up to promote partnerships between the public and private sectors. After consolidation, the Group Balance Sheet shows an increase in reserves and net assets (excluding minority interests) of £17.201m or 2.5% from those reported in Stirling Council's Balance Sheet (2021/22, increase of £5.348m, 1.3%). Details of the consolidated Group Accounts of Stirling Council can be found on pages 81 to 88.

## Financial Outlook and Key Financial Risks

Budget constraints and increasing cost pressures are putting Scotland's councils' finances under severe strain. The Budget report to the Council in March 2023 outlined the considerable financial challenges facing Stirling Council, along with wider Local Government. The Scottish Government published a Scottish Spending Review in May 2022 which forecast flat cash funding for local government to 2025/26 with an increase of £100 million in 2026/27. Despite the Scottish Spending Review, the Council currently has confirmation of Scottish Government funding for 2023/24 only. Overall, funding to councils in 2023/24 has increased in cash terms, however an increasing proportion of funding is ringfenced or directed for national policy priorities, which reduces the ability of councils to make decisions about how funds can be used at a local level.

As outlined by COSLA, the funding in the Local Government Finance Settlement ('LGFS') falls short of the amount required to protect local services and to erode the funding gap from many years of constrained settlements. COSLA estimated that councils needed £1billion extra in real terms to avoid harmful cuts. The Draft Scottish Budget and the LGFS confirmed that the overall revenue support grant cash movement for Councils from 2022/23 to 2023/24 is an increase of £155.5m, an increase of 1.27%. However, after removing ringfenced grant and new funding, both of which come with spending commitments, the core grant for Scottish local government has reduced by £48.5m or 0.42% from 2022/23.

Adding to this challenge of constrained funding, Scottish and UK economies continue to feel the impact of the Covid-19 pandemic and the cost of living crisis that has followed this period. The Russian invasion of Ukraine, the UK's exit from the EU and the lasting effects of Covid-19, saw inflation in the UK rise to levels not seen since the early eighties, with energy costs and food prices being impacted in particular.

The cost of materials, and particularly construction costs have risen rapidly, partly as a result of a reaction to the pent up demand through the pandemic that the construction industry is struggling to keep pace with. Labour and skills shortages in this industry are also having an impact on overall capacity. Supply chain issues have also been exacerbated globally following Russia's invasion of Ukraine.

Skills shortages are also an issue within Local Government. Recruitment and retention of key specialisms is becoming increasingly difficult as the ability of Local Government to afford pay awards that match inflation, and competition between Councils for scarce resources, makes it more likely that staff can move to other higher-paying employers or may choose to leave the public sector entirely.

For Stirling Council, the Local Government Grant settlement for 2023/24 (a single year settlement) reflects a cash increase of £2.0m or 0.95% in the general revenue grant compared to 2022/23, however once funds ringfenced for specific national policy initiatives are removed, this equates to an increase in core revenue funding of only £0.136m or 0.1%.

The 2023/24 budget was agreed by the Council on 2 March 2023. As a result of the above factors, a budget gap of £17.648m was closed to set a balanced budget. This included an element of business as usual savings totalling £4.995m, savings decisions taken by the Council of £1.491m and use of one-off reserves of £9.062m. The Council also decided to increase Council Tax by 7% to help close the gap.

Existing service and cost pressures arising from pay settlements, inflation, and demographic and socio-economic factors will continue to put pressure on the Council's finances, and as set out above, funding is unlikely to keep pace with financial demands. As noted previously, a Summary Budget Scenario covering the three year period 2023/24 to 2025/26 was presented to the Council in March 2023 showing an indicative budget gap of £12.679m for 2024/25 and work is underway to refine the Council's Medium Term Financial Plan.

As a result of the financial position, the focus for the Council is on the transformation and service redesign required in order for the Council to address these challenges in the short and medium term. This requires a clear long term vision and the Ten Year 'Thriving Stirling' Strategy provides a framework within which transformation can take place through co-design with Stirling's citizens and communities, supported by a rolling Three Year Business Plan and Strategic Workforce Plan.

However, further transformation and service redesign alone will not generate sufficient savings to balance the 2024/25 budget and to remain financially sustainable in the medium-term. Therefore, service reductions must be considered across the Council. A redress of service levels is required to ensure statutory and high priority services can be sufficiently funded in a challenging financial and economic environment. This work will continue across 2023/24.

In the face of these challenges, it remains critical that the Council continues to proactively invest in areas which will stimulate the local economy, improve the life of residents, enable the Council to reduce its running costs on an ongoing basis and support the Council and Stirling's ability to achieve Net Zero. The Council has agreed a capital programme of £55.910m in 2023/24, across public infrastructure, schools, council housing and supporting the Council's Accommodation Strategy. This will run alongside the Stirling and Clackmannanshire City Deal programme that is to be delivered during the course of the decade and which will be a key driver for economic development.

In September 2022, the Scottish Government published Finance Circular 10/2022 which allows councils to apply additional flexibility to accounting treatment for PFI/PPP service concession arrangements in place prior to 1 April 2022. The guidance applies from financial year 2022/23 but permits retrospective application as an option. Councils can apply the flexibility in either 2022/23 or 2023/24.

In practice, this allows councils to account for the financing of schools built using PFI (Balfron High) and PPP (Stirling, Wallace, Dunblane, McLaren, St Modan's and Raploch) over the life of the asset (judged at 50 years) rather than the life of the contract (fixed at 25 years). This 'service concession' has realised a one-off benefit of £27.358m in 2023/24, of which £3.712m was used as a one-off measure to help balance the 2023/24 budget. The use of this flexibility does not mean that the Council will be paying any additional money to the PPP/PFI contractors, and the schools will revert to full ownership of the council once the original contract terms have been fulfilled.

In order to support the Council over the short to medium-term, the remaining service concession benefit has been set aside in a number of earmarked reserves to help drive forward transformation projects, increase community empowerment and capacity, economic development and provide a reserve to manage risk around inflation and other financial pressures. In addition to that, £1m of this benefit will be transferred to the General Fund uncommitted reserve in 2023/24 to ensure that the Council remains within the target of 2% to 2.5% of annual expenditure levels, in line with the Council's financial strategy and in order to manage the ongoing risks around financial sustainability.

| | | |
|---|---|---|
| Kirsty Stanners | Carol Beattie | Cllr Chris Kane |
| Chief Officer Finance | Chief Executive | Leader of the Council |

# Statement of Responsibilities

**The Authority's Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Officer Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit Committee at its meeting on 24 August 2023. Signed on behalf of Stirling Council.

Cllr Chris Kane
Leader of the Council

**The Chief Officer Finance's Responsibilities**

The Chief Officer Finance is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Chief Officer Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Officer Finance has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Local Authority and its group at the reporting date and the transactions of the Local Authority and its group for the year ended 31 March 2023.

Kirsty Stanners
Chief Officer Finance

# Annual Governance Statement

**Scope of Responsibility**

Stirling Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council has a statutory duty, under the Local Government in Scotland Act 2003, to make arrangements to secure best value through continuous improvement in the performance of its functions. The Council has Schemes of Delegation and sub delegation which clearly define the powers and authority of Council, its Committees and senior officers. The Chief Officer – Governance is authorised to amend and update the Scheme of Delegation for subsequent consideration and approval by Council. The scheme of sub delegation is approved by the Chief Executive. Compliance with Schemes of Delegation is mandatory. The Chief Officer – Governance, in her role as Monitoring Officer, is responsible for preparing a report for Council if it appears to her that the Council, a Committee or any officer is likely to contravene the law or give rise to maladministration or injustice.

This Annual Governance Statement relates to the governance framework in place within the Council for the year ended 31 March 2023 and up to the date of signature of the Council's Annual Accounts for 2022-23.

The Council's Local Code of Corporate Governance (the Code) was approved by the Audit Committee in August 2022. The Code is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government: Framework and related Guidance Notes for Scottish Authorities published in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the requirements of CIPFA's Statement on The Role of the Chief Financial Officer in Local Government. A copy of the Code is on our website at www.stirling.gov.uk.

This Statement explains how the Council has complied with the Code and the Statement itself complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2022-23, which details the requirements for an Annual Governance Statement. The Statement also complies with the Delivering Good Governance in Local Government Framework and Guidance Notes and the Local Authority Accounts (Scotland) Regulations 2014, both of which require the Council to conduct an annual review of the effectiveness of its system of internal control, to consider and report the findings of that review and to approve an Annual Governance Statement signed by the Chief Executive and Council Leader.

**The Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. This enables the Council to monitor achievement of the Strategic Priorities approved by Council in December 2022, supported by the 10-Year Strategy 2020-2030 'Thriving Stirling' and the Five-year Business Plan, and to consider whether those objectives have led to the delivery of value for money.

The Council's system of internal control is a significant part of the governance framework and is designed to manage risk to a tolerable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically.

The Council's governance framework is set out in the Local Code of Corporate Governance, to provide:

- an overview of the governance arrangements in operation within the Council;
- assurance that the Council's business is run lawfully, accountably and openly; and,
- a focus for the Council's self-assessment of its governance arrangements.

The Council maintains organisational and management structures to ensure it has the right capacity, competencies, behaviours and governance arrangements to address future opportunities and challenges, with emphasis on: community planning and engagement; health and social care integration; strategic infrastructure delivery; meeting changing customer demands; and managing ongoing financial challenges.

The Council structure underpins a flexible service delivery approach based on priorities and outcomes. Decision-making and delegation arrangements and the organisational structure are kept under review to support the delivery of the Council's strategic priorities and objectives. The Council approved a senior management structure on 3 March 2022 and a democratic and decision-making structure on 19 May 2022. The Committees and Panels established by Council currently include:

- Community Wellbeing and Housing Committee
- Children and Young People Committee
- Environment, Transport and Net Zero Committee
- Finance, Economy and Corporate Support Committee
- Public Safety Committee
- Planning and Regulation Panel

The Council also has an Audit Committee, which is chaired by a member of the Opposition.

Council approved various amendments and revisions to the Standing Orders and to the Scheme of Delegation on 6 October, 8 December 2022 and on 9 March 2023. These included amendments to Committee titles, structures and remits. Council also approved revised Contract Standing Orders on 9 March 2023.

Senior management, decision-making and scrutiny arrangements are aligned with the Council's strategic priorities and provide an effective framework through which the Council can direct and control its activities and scrutinise its performance in delivering those priorities. Key elements of the Council's corporate governance framework include:

- the Stirling Plan 2017-2027 (Local Outcomes Improvement Plan) approved in February 2018 by the Community Planning Partnership Leadership Group. This is required by the Community Empowerment (Scotland) Act 2015 and sets out the shared objectives of the Council and its Community Planning Partners detailing their vision, strategic priorities and intended outcomes for the Stirling area, its citizens and service users;
- the 10-Year Strategy 2020-2030 ('Thriving Stirling'), approved by the Council in December 2020. This sets out a clear, long-term, vision and goals for the Council and provides a framework for planned, structured, agile and adaptable transformation that will focus resources on achieving the greatest impact and value for money for Stirling's communities, citizens and visitors, as well as the Council's staff and partners;
- a rolling five-year Business Plan that acts as a guide operationally and financially, helping the Council to prioritise resources, leadership and partnership activity to achieve the vision, goals and outcomes in the Stirling Plan 2017-2027 and in the 10-Year Strategy 2020-2030, 'Thriving Stirling', all of which are accessible on the Council's website;
- governance arrangements for Community Planning that include a Community Planning Partnership (CPP) Executive Board responsible for leading on the shared priorities and outcomes of CPP partners, under the Stirling Plan and supported by a Senior Officer Group representing each Partner;
- the budgeting process, which underpins the 10-Year Strategy 2020-2030, the Five-year Business Plan and the Strategic Workforce Plan. This enables the Council to manage future costs and service demands, aligning service delivery and transformation to address demands and deliver best value;
- formal arrangements for the delivery of strategic transformation programmes and corporate savings options and the delivery of related projects, governed by the Stirling Transformation Board and the Stirling's Future Board and Portfolio Planning Group, which have clear terms of reference;
- a framework for planning and performance management, based on an Outcomes Based Accountability approach, incorporating internal and public performance reporting, enabling the Council to monitor and report on performance in achieving the strategic priorities agreed by Council

in December 2022. Performance reports include the Annual Report and Accounts and Performance and Strategic Priorities Progress Reports, which are published on the Council's website and in Council or Committee agenda papers, respectively;

- presentation of reports, including findings and recommendations, to the Corporate Management Team, Operational Governance Board, Audit Committee, Decision-Making Committees and Council by Internal Audit, External Audit and other inspectorates;
- Standing Orders, Schemes of Delegation and Sub-Delegation, Contract Standing Orders and Financial Regulations, which define the roles and responsibilities of Elected Members and officers and are subject to regular review;
- the overall responsibilities of:
  - the Chief Executive, as the Head of Paid Service, for all aspects of operational management;
  - the Chief Officer - Finance for keeping proper financial records, maintaining an effective system of internal financial control and ensuring appropriate advice is given to the Council on all financial matters;
  - the Chief Officer - Governance, as Monitoring Officer, for ensuring appropriate legal and other advice is given to the Council and for ensuring compliance with relevant legislation and procedures; and
  - the Audit Service Manager, for reviewing, appraising and reporting to management, the Audit Committee and the Council on the adequacy of internal control, risk management and corporate governance arrangements.
- an Audit Committee that provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and the internal control environment, including through an Annual Report;
- a Risk Management Policy and related procedures that set out the responsibilities of Elected Members, the Audit Committee, management and staff in identifying and managing risks to the Council's strategic priorities;
- a Council-wide Strategic Risk Register and Operational Risk Registers, which identify risks and treatment actions and are regularly reviewed, updated and reported to the Audit Committee and the Operational Governance Board;
- Business Impact Assessment and Recovery Plans, setting out arrangements for service continuity in the event of an emergency or other disruption to critical services;
- the Council's Personal Growth & Development (PGD) process, which underpins objective setting for staff and management and supports the Council's strategic priorities through a range of shared behaviours;
- Elected Members' Registered Interests are declared on the Council website and a Register of Officers' Interests (for senior officers) is maintained and made available for public inspection;
- a Members' Remuneration and Expenses Scheme consistent with Scottish Government guidance and an Annual Statement of Members' Allowances & Expenses are published by the Council on its website, outlining the salary, allowances and expenses paid to each Elected Member;
- induction training on roles and responsibilities and ongoing development opportunities are provided for Elected Members;
- codes of conduct that set out the standards of behaviour expected from Elected Members and officers, including the Councillors' Code of Conduct and the Code of Conduct for the Council's employees;
- a Counter-Fraud Strategy that sets out the responsibilities of officers and Elected Members in relation to fraud and corruption, a Whistleblowing Policy and the Codes of Conduct;
- a Local Code of Practice on Following the Public Pound and Funding External Bodies and arrangements for appointments to Boards or management groups of group entities, to ensure proper accountability for Council funds used in the external delivery of services to meet strategic priorities and objectives; and

- a clear governance and reporting framework that provides for regular review and reporting to decision-making committees on the operation of Council ALEOs and other strategically-funded bodies.

**Review of Effectiveness**

In accordance with best practice set out in the Delivering Good Governance in Local Government Framework and the Local Authority Accounts (Scotland) Regulations 2014 the Council is responsible for conducting, at least once in each financial year, a review of the effectiveness of its governance framework, including the system of internal financial control. The review of the effectiveness of the Council governance framework is informed by:

- the work of the Corporate Management Team, which develops and maintains the governance environment;
- the work of Council managers and finance staff;
- the annual assurance statements on governance arrangements that are provided by senior managers;
- an annual review, by Internal Audit, of compliance with the Council's Local Code of Corporate Governance;
- the Audit Service Manager's annual report and Internal Audit reports across the range of Council services;
- reports from the Council's external auditor; and,
- reports from other external review bodies, agencies and inspectorates.

The annual review of effectiveness is supported by a process of self-assessment and assurance certification by senior managers. Senior managers were asked to identify progress on implementing improvement actions identified as part of their 2022-23 assessments and to identify actions they proposed to take during 2023-24.

The Audit Service Manager considered the returns, certifications and improvement action plans from each Service and concluded that these did not highlight any issues of significance that would otherwise impact on the level of assurance over the effectiveness of the Council's overall governance framework. The self-assessment process enabled Services to identify planned improvements during 2023-24 to their Service-level governance framework, including:

- Children and Families will develop a 10-year Strategic Plan outlining the Council's longer-term approach to delivering the national 'Promise Plan' for children and young people. This will provide a framework for the Corporate Parenting Strategy and for delivering the key actions in the 'Stirling Promise Plan 2021-24';
- Environment and Place will implement changes to service delivery and structures on completion of the Short Life Working Group's review of Waste Services Transformation, seeking approval of the Environment, Transport and Net Zero Committee and of the Corporate Management Team for changes to service policy and operations, respectively;
- Transformation team will review the Terms of Reference and operation of the Governance Boards for transformational projects (Stirling's Future Board, Stirling Transformation Board and the Capital Delivery Board) and how these align to Committee governance arrangements. Project and financial 'trackers' will also be developed to help the Boards prioritise delivery of key projects and ensure the Council has the capacity and capability to continue to deliver 'Business As Usual' activities alongside transformational change;
- People and Community Wellbeing will review and develop revised policies, procedures and guidance for both job design and recruitment in consultation with Trade Unions and will seek the approval of the Finance, Economy and Corporate Support Committee for any revised policies brought forward; and
- Governance will implement electronic systems for legal case management and democratic management. These will support improved efficiency and effectiveness in the management and delivery of legal support services and in the management and administration of Council and

Committee meetings. This will include agenda papers, minutes and the public accessibility of the Council's democratic processes and information.

Internal Audit performed an annual review on the existence, appropriateness and application of key elements of the Council's Local Code of Corporate Governance during the year to 31 March 2023, concluding that:

- the Code is consistent with CIPFA and SOLACE guidance on the Delivering Good Governance in Local Government Framework and with the International Framework of Good Governance in the Public Sector; and
- the key governance arrangements and controls are clearly set out in the Code and there is sufficient, clear, reliable and objective evidence to provide assurance that these exist and are being applied in practice.

In order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2022-23, this Statement incorporates assurance on the governance arrangements and systems of internal financial control within the consolidated group entities of the Council. The review of the effectiveness of those arrangements is informed by, where appropriate, their Annual Governance Statements, the opinions of their external auditors and work undertaken by relevant internal auditors.

**Roles and Responsibilities of the Audit Committee and the Audit Service Manager**

The Audit Committee is chaired by a member of the opposition and operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities. As per the Council's Scheme of Delegation its role includes:

- to review internal and external audit reports and the main issues arising and to seek assurance that action has been taken where necessary;
- to receive and consider the Audit Service Manager's annual report, summarising Internal Audit activity and the level of assurance this provides over the arrangements for risk management, governance and internal control within the Council;
- to satisfy itself that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- to maintain an overview of the Council's Local Code of Corporate Governance; and
- to review the Annual Accounts and to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

The Council's Audit Service Manager has the responsibilities of the 'Head of Internal Audit', as defined in the CIPFA Statement on the Role of the Head of Internal Audit and of the 'Chief Audit Executive', as defined in the Public Sector Internal Audit Standards (PSIAS). As required by PSIAS, the Audit Service Manager prepares an annual Internal Audit Plan and undertakes a programme of Internal Audit reviews, which take account of the risks identified in the Council's risk registers and Internal Audit's own assessment of risk.

The Audit Committee has delegated authority to approve the annual Internal Audit Plan and programme of work and regularly monitors the performance of Internal Audit. The Audit Service Manager provides an annual report to the Audit Committee containing an independent opinion on the adequacy and effectiveness of the Council's risk management, internal control and corporate governance arrangements.

Internal Audit reports are provided to Elected Members, to management and to the appointed external auditor. The reports include improvement recommendations and agreed action plans to address these. Management is responsible for responding to those reports and ensuring that appropriate action is taken. Progress made and significant matters, including any non-compliance with agreed actions from Internal Audit work, are reported to the Audit Committee.

**Compliance with Best Practice**

During 2022-23 the Council continued to develop and operate financial governance arrangements that enable it to meet the best practice requirements set out in the CIPFA Financial Management Code (the 'FM Code'). The Chief Officer – Finance, the Audit Service Manager and respective staff also developed and undertook a self-assessment framework, based on the FM Code requirements, to assess and provide evidence of compliance and to identify any improvements that will, where necessary, be addressed by planned action to maintain the Council's continued compliance with the FM Code.

The Council complies with the requirements of CIPFA's statement on The Role of the Chief Financial Officer in Local Government. The Chief Officer – Finance has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function and staff.

The Council complies with the requirements of CIPFA's statement on The Role of the Head of Internal Audit in Public Service Organisations. The Audit Service Manager has responsibility for the Council's Internal Audit service and is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Council's Internal Audit service operates in accordance with the Public Sector Internal Audit Standards, published in 2017 (the Standards). This was verified by an independent, 5-yearly, external quality assessment undertaken in December 2022 and January 2023. The assessment and report were submitted to the Audit Committee in March 2023 and concluded that Council's Internal Audit team fully complies with the Standards.

The Council complies with the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The Audit Service Manager has responsibility for the Council's Corporate Fraud service. The Audit Service Manager is suitably experienced to lead and direct the Corporate Fraud team, comprising professionally qualified Counter Fraud Officers, in line with the Council's Counter Fraud Strategy which was updated in September 2021.

**Best Value Assurance**

The Accounts Commission published its Best Value Assurance Report for the Council in April 2019 following review work performed by Audit Scotland. The report highlighted key challenges for the Council including cumulative savings required over a 5-year period and made ten recommendations for improvement, including in relation to: public performance reporting against priorities; use of benchmarking to improve service delivery; and leadership in demonstrating a systematic approach to self-evaluation and delivering improvement.

In June 2019 the Council considered the Best Value Assurance Report and an Improvement Action Plan developed by Officers. Since then, both Council and the Operational Governance Board (OGB) have continued to receive progress reports from Officers on the implementation of agreed improvement actions. The most recent BVAR update report was submitted to the OGB in March 2023. Seven agreed improvement actions have been fully completed and three are significantly advanced towards full completion.

Work will continue during 2023 on key deliverables that will contribute towards completion of those remaining improvement actions. Those deliverables include: a new Customer Service Strategy, being developed collaboratively with service users; and the configuration of the Council's new ERP system to support significantly improved staff communication and engagement, through guided learning, helpdesk and staff feedback functionality.

**Significant Governance Issues: Further Progress and Planned Actions**

The Audit Service Manager's overall opinion on the Council's arrangements for risk management, governance and control is included within the Internal Audit Annual Assurance Report for 2022-23. In that report the Audit Service Manager concludes that substantial assurance can be provided on arrangements in place during the year to 31 March 2023. Any significant findings arising in the period between 1 April 2023 and the date of signing of this Statement are set out in the Audit Service Manager's update reports submitted to the Audit Committee.

The Audit Committee approved the programme of Internal Audit work undertaken for 2022-23 (the Plan), on which that opinion is based, in August 2022. In approving the Plan, the Audit Committee noted that the Internal Audit team had provided, since September 2021, an Internal Auditor on secondment to the Enterprise Resource Planning project, as part of the Council's Transformation Programme. A wider review of resourcing across the Governance Service, however, enabled an additional, full-time Senior Auditor to take up post in June 2022.

The assurance opinion above is provided on the basis of a substantively completed Internal Audit Plan, as in previous years, with only a small number of audit reviews carried forward to completion in 2023/24. The majority of audit reports issued in 2023 provided at least a 'substantial assurance' opinion on the area reviewed. However, only 'limited assurance' could be provided for specific control issues identified from internal audit reviews of building security, capital planning, water quality management, fuel storage and use, and payroll (payment of overtime).

The nature and impact of any significant changes to the internal control, governance and risk management arrangements continue to be monitored and considered and any relevant issues are included within this Statement, at the date of signature. They will also be monitored and considered through Internal Audit work and reported, as necessary, in the Annual Governance Statement for 2023-24.

The Council and its group entities work to address matters identified during audits and other inspections. Subject to any issues noted in this Statement, monitoring of progress with agreed improvement actions included in the previous Annual Governance Statement Improvement Action Plan has identified that:

- **Enterprise Resource Planning (ERP) System:** work continued during 2022/23 on the implementation of the ERP system, 'MyPortal'. Progress was made on the initial design and build of ERP system components, on specific systems integrations and key-user training. However, challenges have arisen with some aspects of systems' integration testing, data migration activity and end-user training. These have impacted the planned 'go live' date of April 2023. Significant work is underway to plan and resource the actions necessary to address these challenges and to determine a revised 'go live' date for approval by senior management;
- **Transformation Programme:** during 2022/23 Council approved developments in relation to 'people' and 'property' consistent with the Transformation Programme and 'New Ways of Working' work-stream. These included: an operational group created by the Chief Executive with oversight of workforce planning and responsibility to approve future service redesign and restructuring; revisions and updates to HR policies and practices for staff recruitment, staff development and retention and job evaluation; and a Strategic Business Case for Corporate Accommodation which will be further developed into an Outline Business Case and investment options for Council to consider in October 2023;
- **Food Standards Capacity and Capability Audit:** in February 2023 Food Standards Scotland (FSS) confirmed to the Chief Executive that it was satisfied the improvement actions agreed with the Council in the FSS report: 'Stirling Council - Capacity and Capability Audit' had been implemented or suitably progressed. In February 2023, the Council's Head of Infrastructure submitted to the Environment, Transport and Net Zero Committee an updated 'Food Safety Service Plan', which addressed the recommendations in the FSS report. In March 2023, the Council's Audit Service Manager also issued a report that provided further, independent and substantial assurance that the Food Standards team had addressed those agreed improvement actions;
- **City Centre Strategy & Action Plan 2022-23:** in November 2022 Stirling became the first fully 'Augmented Reality' city in the world with the launch of the Stirling XP App. The App transforms visitors' experience of Stirling by allowing them to explore the city through their smartphone screen, with interactive information, graphics, 3D models of the city and its attractions. Separately, a further five-year term was also secured for the Stirling Business Improvement District (BID) for September 2022 to August 2027. The BID has a five-year plan of priorities and investment proposals, and officers will report progress on those to the Finance, Economy and Corporate Support Committee; and

- **Re-establishment of Area Forums:** an Area Forum Officer was appointed in October 2022, responsible for leading on the re-establishment of Area Forums. In late 2022, interested parties and community stakeholders were consulted to ensure that any future arrangements meet the requirements of each area. Interviews, community events and online questionnaires informed the process and meetings were held with Community Councils, Development Trusts and representative community and youth groups. In March 2023, the officer brought together the various parties to consider proposed models and the resources needed for sustainable Area Forums. Work is ongoing with five newly-formed Area Forums and a further two are in the early stages of development.

The following table sets out some examples of planned developments in the Council's corporate governance framework and related actions which will be undertaken or progressed further during 2023-24. These have, generally, been the subject of reports to Council or Committees on proposals to extend or improve the effectiveness of the Council's governance arrangements.

| | **Area of Governance** (SR = Strategic Risk) | **Source** | **Actions Planned in 2023-24** |
|---|---|---|---|
| **1.** | **Transformation: Enterprise Resource Planning (ERP) System** (SR 30 – failure to implement Enterprise Resource Planning system to project plan and budget.) | Stirling Council | Work will continue on implementation of the Council's new ERP software system, with a revised 'go live' date being scheduled in 2023. The project is being delivered by an internal project team, the contracted software supplier and an integration partner.<br>Key elements of the project to be completed are: systems' design and systems' integration testing, data migration activity and end-user training. Work is underway to plan and resource the actions necessary to achieve these key deliverables. |
| **2.** | **Transformation: Workforce Planning and Accommodation** (SR 31 – failure to plan and progress the transformational change required.) (SR 41 - inadequate workforce planning arrangements.) | Stirling Council | In December 2022 Council approved a Corporate Accommodation Strategy to ensure the Council would realise the ambitions of the Thriving Stirling Strategy. This would also support the Council's Transformation Programme and New Ways of Working work-stream. In May 2023 Council approved a Strategic Outline Business Case for the Corporate Accommodation Plan and agreed a preferred option for further development.<br>Action will continue during 2023-24 to prepare a more detailed Outline Business Case (OBC) for Council to consider in October 2023. The OBC will develop the preferred option through further design and business case stages. It will recommend the next steps for the acquisition and investment requirements and for the disposal of associated surplus property. |
| **3.** | **Strategic Priorities and Performance Management Reporting** | Stirling Council | In December 2022 Council approved its Strategic Priorities for 2022-27. Council noted that an Outcome Based Accountability (OBA) approach would be adopted to deliver these and that revised KPIs would be developed and reported to relevant Committees.<br>Action will continue during 2023-24 to finalise an appropriate range of KPIs for the Strategic Priorities, which will underpin the OBA approach. KPI's will be approved by each relevant Committee to reflect its specific remit for scrutiny of performance. In |

| | **Area of Governance** (SR = Strategic Risk) | **Source** | **Actions Planned in 2023-24** |
|---|---|---|---|
| | | | addition, work will be progressed to incorporate the OBA approach and KPIs into a new 3-Year Business Plan for approval by Council by the end of 2023. |
| **4.** | **Community Wealth Building'** (SR 10 – increasing cost of living: impact on communities.) | Stirling Council Community Wellbeing and Housing | In June 2022 Council agreed to establish a short-life working group (SLWG) to identify the Council's priorities for community wealth building (CWB) and to develop a strategy and action plan to deliver those. Council agreed the CWB Action Plan in March 2023.<br>Action will continue during 2023-24 to deliver the detailed CWB actions across the five emerging themes of: 'capacity building', 'promoting local wealth', 'employability and career pathways', 'raising CWB profile' and 'transforming community-facing services'. Updates on the CWB Action Plan will be reported to the Community Wellbeing and Housing Committee, as recommended by the SLWG. |
| **5.** | **Local Housing Strategy and Strategic Housing Investment Plan** (SR 38 – failure to meet the needs of those households threatened with homelessness.) | Community Wellbeing and Housing | In November 2022 the Community Wellbeing and Housing Committee approved the Council's Strategic Housing Investment Plan 2023-24 to 2027-28 (SHIP). The SHIP sets out the Council's key strategic investment priorities in developing affordable housing and attracts investment from the Scottish Government.<br>Action will continue during 2023-24 to finalise the Council's new, consultative draft Local Housing Strategy (LHS) for Committee approval. This will align with the SHIP and the Housing Demands and Needs Assessment. The new LHS will consider relevant housing issues, including: access and affordability, quality and condition, homelessness and strengthening communities. |

**Significant Governance Issues: COVID-19 Response, Recovery and Renewal**

This Annual Governance Statement (the Statement) includes information below on the actions the Council has taken, including during 2022-23, to support recovery and renewal from the impacts of the Covid-19 pandemic. The information reflects guidance issued in April 2020 by CIPFA on reporting the impacts of Covid-19 on the Council's operation and governance within the Statement, supplementing the disclosures made in 2021-22.

Covid-19 Recovery Plan

Council approved its Covid-19 Recovery Plan (the Plan) on 24 June 2021. The Plan set out the Council's 14 priority areas for recovery in the short, medium and longer term, with 58 specific recovery and renewal actions.

The Plan was initially managed through a Recovery Operational Group established by the Chief Executive.

From April 2021 onwards the Council's Transformation Programme and its Vital Few projects were further developed and the Plan was incorporated into the programme of Vital Few projects. The Chief Operating Officer – Communities and Performance appointed a Covid-19 Recovery Manager with delegated responsibility to co-ordinate and deliver the Plan and to report progress to the Council's

Transformation Board for operational management and scrutiny of the Plan as an integral part of the Vital Few programme.

In 2021 the Council moved actively into the recovery and renewal phase of its management of Covid-19 and since then has worked with local communities and with partners across the public, private, health and voluntary sectors to address the priority areas and the specific actions set out in the Plan.

Governance and Scrutiny

Governance arrangements, scrutiny of progress with implementing the Plan and the application and use of the various sources of Covid-19 funding available to the Council (including Council funding, government grants and monies held as earmarked reserves) has been enabled through the provision of regular progress and update reports to the Transformation Board, to Council and to the Finance, Economy and Corporate Support Committee since 2021.

Summary of Progress and Further Developments

By October 2022 the Covid-19 Recovery Manager was able to report to the Transformation Board the completion of 36 short and medium term actions. These related to all 14 priority areas, including actions to:

- promote physical and mental health and well-being;
- invest in regeneration and a sustainable future;
- maintain resilient and sustainable services;
- achieve education recovery for children and young people; and
- provide business and sector support for recovery and growth.

A further 11 actions had also been progressed. Due to their specific nature they were considered appropriate to transfer from the Plan to the delegated responsibility and remits of other working groups established by Council, reporting to the relevant Committee or Council as required. Two of those groups, where work continues to be undertaken and reported, are the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group. Both Groups were established by decisions of Council in June 2022.

The Cost of Living Member-Officer Group is taking forward work to review and consider the provision of money, debt and benefits advice, to reflect the significantly increased demand brought on by Covid-19.

The Community Wealth Building Short-Life Working Group is taking forward work to implement Locality Action Plans within a Community Wealth Building approach, taking account of the impacts of Covid-19.

The work of these Groups and future Council Business Plans and Service Plans will also be informed by the results of a detailed Covid-19 Recovery Community Consultation and Conversation undertaken by the Covid-19 Recovery Manager during 2022.

This provided insights across four key themes: education, mental health, social isolation and the cost of living. The results of the consultation were reported to the Transformation Board in October 2022 and subsequently shared with the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group to inform their continuing work.

Relevant reports related to the Council's Covid-19 Recovery Plan on the related financial implications and on the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group are detailed below and are available at: Stirling Council - Minutes Search

**Conclusion**

This Annual Governance Statement summarises, openly and transparently, the governance arrangements established and operated by Stirling Council for 2022-23 and the period to date, including information on Covid-19 recovery and renewal and its effects on the Council in terms of its operation and governance.

As Leader of the Council and Chief Executive, we have been advised on the implications of the review of the effectiveness of the governance framework and that the Council's arrangements continue to be

regarded as fit for purpose. It is our opinion that reasonable assurance can be placed on the adequacy and effectiveness of the systems of governance operated by the Council and its Group.

The annual review of effectiveness identifies sufficient evidence that the Council's Local Code of Corporate Governance operates effectively and that the Council and its Group will continue to take steps, in the coming year, to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Carol Beattie
Chief Executive

Cllr Chris Kane
Leader of the Council

# Remuneration Report

**Introduction**

The Remuneration Report has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) and the guidance issued by the Scottish Government (Scottish Government Finance Circulars 8/2011 and 7/2014). The Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees.

For completeness, the disclosure requirements for the totals of elected members' salaries, allowances and expenses and for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 have been included in separate tables within this report. All information disclosed in the tables within this Remuneration Report is audited by Stirling Council's appointed auditor Audit Scotland. With the exception of the Trade Union Regulations disclosure, all other sections of the Remuneration Report are reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

All salaries and wages earned up to 31 March 2023 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned by employees not taken before the year-end, but which employees may carry forward into the next financial year.

**Remuneration of Council Leader, Provost and Senior Councillors**

The Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by SSI No. 2022/18 regulates the remuneration of Councillors. The Regulations provide for the grading of councillors as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in Stirling Council's political management structure.

For 2022/23 Stirling Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses set the levels of payment in accordance with the Regulations as follows:

- Leader of Stirling Council - maximum salary £32,622 (2021/22, £31,010)
- Provost - maximum salary £24,467 (2021/22, £22,257). Stirling Council is permitted to remunerate one Provost.
- Senior Councillor - maximum salary is 75 percent of total yearly amount payable to the Leader of the Council - £24,467 (2021/22, £23,257).

Stirling Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. As at 31 March 2023, Stirling Council has 8 Senior Councillors (31 March 2022, 7 Senior Councillors).

The Regulations also permit Stirling Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The most recent Local Government elections took place on 5 May 2022. The total remuneration of those senior elected officials who were in office up to and following the date of the Local Government elections are shown in the table below:

| Elected Member | Office held to 4 May 2022 | Office held from 5 May 2022 | Salary £ | Exps £ | Total 2021/22 £ | Salary £ | Exps £ | Total 2022/23 £ |
|---|---|---|---|---|---|---|---|---|
| S Farmer | Council Leader | Senior Councillor | 30,956 | - | **30,956** | 25,073 | 157 | **25,230** |
| C Simpson | Provost | None | 23,217 | - | **23,217** | 2,346 | - | **2,346** |
| C Kane | Senior Councillor | Council Leader | 23,217 | - | **23,217** | 32,459 | 165 | **32,624** |
| J Thomson | Senior Councillor | Councillor | 23,217 | - | **23,217** | 20,040 | - | **20,040** |
| M Brisley | Senior Councillor | Senior Councillor | 23,217 | - | **23,217** | 25,192 | - | **25,192** |
| A Laurie | Senior Councillor | None | 23,217 | - | **23,217** | 2,346 | - | **2,346** |
| A MacPherson | Senior Councillor | Councillor | 23,217 | - | **23,217** | 20,040 | - | **20,040** |
| M Earl | Senior Councillor (from 24/06/21 - Full Year Salary Equivalent 21/22 £23,217) | Councillor | 17,874 | 728 | **18,602** | 20,040 | 2,798 | **22,838** |
| N Benny | Councillor | Senior Councillor | 19,830 | - | **19,830** | 23,822 | - | **23,822** |
| D Gibson | Senior Councillor | Senior Councillor | 18,572 | - | **18,572** | 19,571 | - | **19,571** |
| D Dodds | Councillor | Provost | 18,572 | - | **18,572** | 23,822 | 1,078 | **24,900** |
| B Flannagan | Councillor | Senior Councillor | 18,572 | - | **18,572** | 23,822 | - | **23,822** |
| R Fraser | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | 228 | **22,174** |
| J Preston | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | - | **21,946** |
| R Nunn | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | - | **21,946** |

Councillor E Dillon relinquished his role as Vice Convener of the Children and Young People Committee from 6 October 2022, being replaced by Councillor M Brisley. Councillor Dillon's salary as a Senior Councillor up to and including 6 October 2022 was £10,241 (full year salary equivalent £21,946).

**Total Councillors' Remuneration**

In 2022/23, the total remuneration of all Stirling Council's elected members (including Senior Councillors above) was £490,683, of which £479,372 related to salaries and £11,311 to expenses. The comparative figure for 2021/22 was £471,983 (£470,548 salaries and £1,435 expenses respectively).

The annual return of Councillors' salaries and expenses for 2022/23 is available on Stirling Council's website at http://my.stirling.gov.uk/home.

**Pension Entitlements of Council Leader, Provost and Senior Councillors**

The pension entitlements of the Council Leader, Provost and Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension for the period in question.

| | | Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|---|
| Elected Member | Office held as at 31 March 2023 | For Year to 31 March 2022 £ | For Year to 31 March 2023 £ | As at 31 March 2023 Pension £ | As at 31 March 2023 Lump Sum £ | Difference from 31 March 2022 Pension £ | Difference from 31 March 2022 Lump Sum £ |
| S Farmer | Senior Councillor | 6,965 | 5,705 | 9,000 | 2,000 | 1,000 | - |
| C Kane | Council Leader | 5,224 | 6,968 | 3,000 | - | 1,000 | - |
| M Earl | Senior Councillor | 4,022 | 4,545 | 6,000 | - | 1,000 | - |
| N Benny | Senior Councillor | 4,853 | 5,303 | 5,000 | - | 1,000 | - |
| D Gibson | Senior Councillor | 4,179 | 4,394 | 5,000 | - | 1,000 | - |
| B Flannagan | Senior Councillor | 4,359 | 5,303 | 3,000 | - | 1,000 | - |
| R Fraser | Senior Councillor | n/a | 4,701 | - | - | - | - |
| J Preston | Senior Councillor | n/a | 4,701 | - | - | - | - |
| R Nunn | Senior Councillor | n/a | 4,701 | - | - | - | - |

**Remuneration of Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Stirling Council sets the remuneration levels for senior employees. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by, the Scottish Ministers and the Scottish Government. In reaching its decisions, Stirling Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

Only one of the following requirements needs to be met for an employee to meet the definition of being a Senior Employee:

- Has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money) during the year to which the Report relates, whether solely or collectively with other persons; or
- Holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Annual remuneration including any remuneration from a local authority subsidiary body is £150,000 or more.

The total remuneration of Stirling Council's senior employees is as follows:

| Senior Employee | Salary 2021/22 £ | Expenses 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Expenses 2022/23 £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|---|
| C Beattie: Chief Executive | 119,511 | - | **119,511** | 126,723 | 125 | **126,848** |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 91,992 | - | **91,992** | 97,258 | - | **97,258** |
| I McKnight: Chief Operating Officer - Communities and Performance | 91,992 | - | **91,992** | 97,258 | - | **97,258** |
| M Valente: Head of Children & Families Chief Social Work Officer | 89,131 | - | **89,131** | 93,222 | - | **93,222** |
| B Monaghan: Head of Education Chief Education Officer | 86,347 | - | **86,347** | 90,441 | - | **90,441** |
| K Stanners: Chief Officer Finance (from 3 October 2022, Full Year Salary Equivalent £93,413) | n/a | n/a | **n/a** | 42,295 | - | **42,295** |
| J McAfee: Chief Officer Governance | 79,005 | - | **79,005** | 90,441 | - | **90,441** |
| K Hudson: Head of People & Community Wellbeing (from 4 April 2022, Full Year Salary Equivalent £80,406) | n/a | n/a | **n/a** | 75,363 | 59 | **75,422** |

| Senior Employee | Salary 2021/22 £ | Expenses 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Expenses 2022/23 £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|---|
| L Hay: Head of Customer Service & Performance (from 7 November 2022, Full Year Salary Equivalent £82,836) | n/a | n/a | **n/a** | 29,225 | - | **29,225** |
| D Leslie: Head of Infrastructure | 77,086 | - | **77,086** | 81,618 | - | **81,618** |
| D Reid: Head of Environment & Place (from 4 July 2022, Full Year Salary Equivalent £80,406) | n/a | n/a | **n/a** | 55,593 | - | **55,593** |
| S Clark: Chief Officer Housing | 76,903 | - | **76,903** | 81,618 | - | **81,618** |
| G Murphy: Interim Chief Officer Finance (from 20 December 2021 to 31 October 2022) (Full Year Salary Equivalent 21/22 £86,311, 22/23 £90,627) | 19,983 | - | **19,983** | 50,348 | - | **50,348** |

The remuneration details of those senior employees who left the employment of the Council during 2022/23 are as follows:

| | Salary 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Severance Costs £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|
| S Oliver: Head of Economic Development & Culture (from 1 April 2022 to 31 December 2022) (Full Year Salary Equivalent £81,741) | 79,046 | **79,046** | 64,699 | 64,325 | **128,924** |

In addition to remuneration received from Stirling Council, the following senior employees received fees in respect of elections held during 2021/22 and 2022/23.

| | **2021/22 (£)** | **2022/23 (£)** |
|---|---|---|
| C Beattie | 1,750 | 2,300 |
| J McAfee | 1,750 | 1,300 |
| G Murphy | 650 | 1,300 |
| B Roberts | 120 | - |
| S Oliver | 100 | 100 |
| S Clark | 100 | - |
| D Leslie | 40 | 56 |

**Pension Entitlements of Senior Employees**

The pension entitlements of Senior Employees are shown in the table below, together with contributions made by Stirling Council to each Senior Employee's pension. All are members of the Local Government Pension Scheme (LGPS).

| | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|
| **Senior Employee** | **For Year to 31 March 2022 £** | **For Year to 31 March 2023 £** | **As at 31 March 2023 Pension £** | **Lump Sum £** | **Difference from 31 March 2022 Pension £** | **Lump Sum £** |
| C Beattie: Chief Executive | 26,890 | 28,513 | 20,000 | - | 4,000 | - |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 20,698 | 21,883 | 44,000 | 57,000 | 5,000 | 3,000 |
| I McKnight: Chief Operating Officer - Communities & Performance | 20,698 | 21,883 | 25,000 | 3,000 | 4,000 | - |
| B Monaghan: Head of Education Chief Education Officer | 19,428 | 20,349 | 4,000 | - | 2,000 | - |
| M Valente: Head of Children & Families Chief Social Work Officer | 20,054 | 20,975 | 77,000 | - | 6,000 | - |
| Kirsty Stanners: Chief Officer Finance* | n/a | 9,516 | 21,000 | 16,000 | 21,000 | 16,000 |
| J McAfee: Chief Officer Governance | 17,776 | 20,349 | 7,000 | - | 2,000 | - |
| K Hudson: Head of People & Community Wellbeing | n/a | 16,957 | 2,000 | - | 2,000 | - |
| L Hay: Head of Customer Service & Performance | n/a | 6,576 | 1,000 | - | 1,000 | - |
| D Leslie: Head of Infrastructure | 17,344 | 18,364 | 26,000 | 17,000 | 3,000 | 1,000 |
| D Reid: Head of Environment & Place | n/a | 12,509 | 1,000 | - | 1,000 | - |
| S Clark: Chief Officer Housing | 17,303 | 18,364 | 22,000 | 15,000 | 1,000 | 1,000 |
| G Murphy: Interim Chief Officer Finance | 4,496 | 11,328 | 43,000 | 73,000 | 9,000 | 15,000 |

* Accrued pension benefits for K Stanners include a transfer of pension rights from a previous public sector employer.

The pension entitlements of those senior employees who left the employment of the Council during 2022/23 are as follows:

| | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|
| | For Year to 31 March 2022 | For Year to 31 March 2023 | As at 31 March 2023 | | Difference from 31 March 2022 | |
| | £ | £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| S Oliver: Head of Economic Development & Culture | 17,785 | 12,684 | 7,000 | - | 2,000 | - |

**Pension Scheme Contribution Rates**

From 1 April 2009 a tiered pension contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The respective tiers and contribution rates paid by pension scheme members towards their pensions are as follows:

| Whole time pay | Range 2021/22 | Rate 2021/22 | Range 2022/23 | Rate 2022/23 |
|---|---|---|---|---|
| On earnings up to and including | £22,300 | 5.5% | £23,000 | 5.5% |
| On earnings above | £22,301 and up to £27,300 | 7.25% | £23,001 and up to £28,100 | 7.25% |
| On earnings above | £27,301 and up to £37,400 | 8.5% | £28,101 and up to £38,600 | 8.5% |
| On earnings above | £37,401 and up to £49,900 | 9.5% | £38,601 and up to £51,400 | 9.5% |
| On earnings above | £49,901 | 12% | £51,401 | 12% |

If a person works part time, their contribution rate is determined by comparing their actual pensionable pay to the relevant range banding in the table above.

**Employees Earning Over £50,000**

The number of Stirling Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown in the following table.

| Remuneration band | 2021/22 Non Teaching Employees | 2021/22 Teaching & Education Employees | 2021/22 Total Employees | 2022/23 Non Teaching Employees | 2022/23 Teaching & Education Employees | 2022/23 Total Employees |
|---|---|---|---|---|---|---|
| £50,000 - £54,999 | 34 | 87 | **121** | 65 | 76 | **141** |
| £55,000 - £59,999 | 11 | 45 | **56** | 25 | 78 | **103** |
| £60,000 - £64,999 | 16 | 30 | **46** | 13 | 37 | **50** |
| £65,000 - £69,999 | 2 | 12 | **14** | 12 | 35 | **47** |
| £70,000 - £74,999 | 2 | 1 | **3** | 5 | 14 | **19** |
| £75,000 - £79,999 | 7 | 2 | **9** | 2 | 4 | **6** |
| £80,000 - £84,999 | 1 | 3 | **4** | 6 | 2 | **8** |
| £85,000 - £89,999 | 2 | 1 | **3** | - | 4 | **4** |
| £90,000 - £94,999 | 2 | - | **2** | 3 | 1 | **4** |
| £95,000 - £99,999 | - | - | **0** | 2 | - | **2** |
| £110,000 - £114,999 | 1 | - | **1** | - | - | **0** |
| £120,000 - £124,999 | 1 | - | **1** | - | - | **0** |
| £125,000 - £129,999 | - | - | **0** | 2 | - | **2** |
| **Total Employees** | **79** | **181** | **260** | **135** | **251** | **386** |

The increase in the number of Stirling Council employees falling into the greater than £50,000 remuneration bands for 2022/23 is due to pay award increases from 1 April 2022.

**Severance Costs**

Stirling Council terminated the contracts of a number of employees in 2021/22 and 2022/23 as part of a voluntary severance exercise.

The following table details, by cost banding, the actual severance costs incurred by the Council, together with an actuarial estimation of future recurring severance costs that may potentially be incurred by Stirling Council up until the age at which the relevant employees are assumed to cease being members of the pension scheme.

Actual severance costs incurred by the Council in each year are allocated across the following four areas:

- Strain Costs, representing the amount which Stirling Council is required to pay to the pension fund because the employee has retired before the assumed retirement age and which would result in a shortfall in contributions up to the assumed retirement age.
- Compensatory Added Years (CAY) Lump Sum, representing the amount that Stirling Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded.
- Redundancy Lump Sums, representing the amount that Stirling Council pays to the individual in a one-off lump sum, where the individual would normally not be entitled to draw pension benefits due to their age (under 50 years).

- Payments In-lieu of Notice, representing the amount that Stirling Council pays to an individual for a period of notice that the individual is not required to work.

In addition to actual severance costs incurred by the Council, the Accounting Code of Practice also requires disclosure of Capitalised Compensatory Added Years Liabilities. These liabilities represent an actuarial estimate of the discounted value of future recurring Compensatory Added Years payments that Stirling Council may be required to pay to the Pension Fund up until the age at which the former employee is assumed to cease being a member of the pension scheme. It should be stressed that these cost assumptions are based on average life expectancies and so may be subject to change based on actual circumstances impacting on individual pension members.

| | | Severance Costs 2022/23 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 38 | 3 | 1 | 71 | 102 | **177** | 6 | **183** |
| £20,001 - £40,000 | 2 | - | - | 24 | 18 | **42** | - | **42** |
| £40,001 - £60,000 | 1 | - | - | 51 | - | **51** | - | **51** |
| £60,001 - £80,000 | 1 | - | - | 52 | 11 | **63** | - | **63** |
| **Totals 2021/22** | **42** | **3** | **1** | **198** | **131** | **333** | **6** | **339** |

| | | Comparative Severance Costs 2021/22 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 26 | - | 4 | 23 | 83 | **110** | - | **110** |
| £20,001 - £40,000 | 1 | - | - | 12 | 15 | **27** | - | **27** |
| £60,001 - £80,000 | 3 | 36 | 3 | 58 | 30 | **127** | 16 | **143** |
| **Totals 2020/21** | **30** | **36** | **7** | **93** | **128** | **264** | **16** | **280** |

**Clackmannanshire and Stirling Integration Joint Board**

Under Section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB has to be appointed with the remuneration terms of the Chief Officer's employment being approved by the IJB.

A Black has been employed as Chief Officer of the Clackmannanshire and Stirling Integration Joint Board (IJB) from 17 June 2019. Stirling Council's share (30%) of the remuneration and pension entitlements of A Black are outlined below:

| **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| | | | | **As at** | | **Difference from** | |
| **2021/22** | **2022/23** | **For Year to 31 March 2022** | **For Year to 31 March 2023** | **31 March 2023** | | **31 March 2022** | |
| | | | | **Pension** | **Lump Sum** | **Pension** | **Lump Sum** |
| **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| 31,555 | 32,407 | 6,595 | 6,773 | 13,277 | 32,286 | 3,906 | 9,132 |

**Subsidiary Entities**

Stirling Council includes 6 subsidiary entities within its Group Accounts (excluding Common Good and Charitable Trusts). Of these, only Active Stirling Ltd, a charitable Leisure Trust, employs a senior employee (A Bain - Chief Executive). None of the other 5 subsidiary entities employed a senior employee during 2021/22 or 2022/23. None of the 6 subsidiary entities paid remuneration to Councillors of Stirling Council in 2021/22 or 2022/23. The remuneration and pension entitlements of A Bain are as follows:

| **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| | | | | **As at** | | **Difference from** | |
| **2021/22** | **2022/23** | **For Year to 31 March 2022** | **For Year to 31 March 2023** | **31 March 2023** | | **31 March 2022** | |
| | | | | **Pension** | **Lump Sum** | **Pension** | **Lump Sum** |
| **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| 85,000 | 85,850 | 14,535 | 14,680 | 37,000 | 37,000 | 4,000 | - |

**Trade Union Regulations**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. The relevant information relating to 2022/23 can be found on the Council's website at the following link https://www.stirling.gov.uk/jobs-business-investment/jobs/hr-performance-reporting/ and is also shown below for information.

**Table 1: Stirling Council employees**

What was the total number of employees who were relevant union officials employed during the relevant period?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number | | Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number |
| 37 | 34.87 | | 19 | 16.69 |

**Table 2: Percentage of time spent on facility time**

How many employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Percentage of time | Number of employees | | Percentage of time | Number of employees |
| 0% | 0 | | 0% | 0 |
| 1-50% | 36 | | 1-50% | 18 |
| 51-99% | 0 | | 51-99% | 0 |
| 100% | 1 | | 100% | 1 |

**Table 3: Percentage of pay bill spent on facility time**

What is the % of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Total cost of facility time | £105,351 | | Total cost of facility time | £64,663 |
| Total pay bill | £118,749,383 | | Total pay bill | £67,027,522 |
| % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.09% | | % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.10% |

**Table 4: Paid trade union activities**

How many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 5.86% | | Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 6.95% |

Carol Beattie
Chief Executive

Cllr Chris Kane
Leader of the Council

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis the Movement in Reserves Statement. When income and expenses are material, the nature and amount is disclosed on the Comprehensive Income and Expenditure Statement and in notes to the accounts.

| 2021/22 Restated Gross Spend | 2021/22 Restated Gross Income | 2021/22 Restated Net Spend | | Note | 2022/23 Gross Spend | 2022/23 Gross Income | 2022/23 Net Spend |
|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 523 | (72) | 451 | Chief Executive Office | | 461 | (29) | 432 |
| 8,400 | (4,950) | 3,450 | Housing | | 8,603 | (4,854) | 3,749 |
| 19,952 | (3,121) | 16,831 | People & Community Wellbeing | | 19,795 | (4,625) | 15,170 |
| 11,819 | (1,332) | 10,487 | Customer Service and Performance | | 14,138 | (1,948) | 12,190 |
| 14,672 | (2,266) | 12,406 | Children & Families | | 15,787 | (2,738) | 13,049 |
| 131,720 | (19,173) | 112,547 | Schools & Learning | | 141,362 | (19,341) | 122,021 |
| 7,364 | - | 7,364 | Balfron PFI & Schools PPP | | 8,129 | - | 8,129 |
| 37,295 | (5,863) | 31,432 | Environment and Place | | 36,071 | (4,454) | 31,617 |
| 22,467 | (5,991) | 16,476 | Infrastructure | | 26,840 | (5,904) | 20,936 |
| 527 | (159) | 368 | City Region Deal | | 598 | (146) | 452 |
| 6,500 | (2,588) | 3,912 | Economic Development & Culture | | 7,842 | (1,785) | 6,057 |
| 20,961 | (16,220) | 4,741 | Finance | | 20,626 | (15,576) | 5,050 |
| 3,845 | (1,008) | 2,837 | Governance | | 3,910 | (734) | 3,176 |
| 107,362 | (62,305) | 45,057 | Clackmannanshire/Stirling Integration Joint Board | | 118,375 | (66,903) | 51,472 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | | 1,006 | - | 1,006 |
| 8,709 | (2,816) | 5,893 | Other Operating Income & Expenditure | | 13,445 | (8,793) | 4,652 |
| **403,104** | **(127,864)** | **275,240** | **Net Cost Of General Services** | | **436,988** | **(137,830)** | **299,158** |
| 23,136 | (22,850) | 286 | Deficit on Housing Revenue Account | HRA | 25,015 | (23,559) | 1,456 |
| **426,240** | **(150,714)** | **275,526** | **Net Cost of Services** | | **462,003** | **(161,389)** | **300,614** |
| 28 | - | 28 | (Gain)/Loss on the Disposal of Non-Current Assets | | (703) | - | (703) |
| 480 | - | 480 | Loss on the Disposal of Investments | | - | - | 0 |
| 13,565 | 1 | 13,566 | Interest Payable and Similar Charges | | 14,142 | 41 | 14,183 |
| - | (789) | (789) | Interest Receivable and Similar Income | | - | (825) | (825) |
| 18,777 | - | 18,777 | Interest Expense on Pension Defined Benefit Obligation | 24 | 24,657 | - | 24,657 |
| (12,290) | - | (12,290) | Interest Income on Pension Scheme Assets | 24 | (18,879) | - | (18,879) |
| (7) | - | (7) | Gain on Investment Property Revaluations | | (53) | - | (53) |
| - | (261,788) | (261,788) | Taxation and Non-Specific Grant Income | 11 | - | (279,801) | (279,801) |
| **446,794** | **(413,291)** | **33,503** | **Deficit on Provision of Services** | | **481,167** | **(441,974)** | **39,193** |
| | | (33,435) | Surplus Arising on Revaluation of Non-Current Assets | 25 | | | (27,996) |
| | | (136,961) | Remeasurements of the net defined benefit liability | 24/25 | | | (296,546) |
| | | **(170,396)** | **Other Comprehensive (Income) and Expenditure** | | | | **(324,542)** |
| | | **(136,893)** | **Total Comprehensive (Income) and Expenditure** | | | | **(285,349)** |

# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | Note | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Capital Grants& Receipts Unapplied Account £000 | **Total Usable Reserves £000** | Unusable Reserves £000 | **Total Council Reserves £000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1/4/2021** | | **(44,971)** | **(986)** | **(856)** | **(2,049)** | **(858)** | **(3,921)** | **(53,641)** | **(209,593)** | **(263,234)** |
| **Movement in Reserves 2021/22** | | | | | | | | | | |
| (Surplus)/deficit on provision of Services | CIES | 36,906 | (3,403) | - | - | - | - | **33,503** | - | **33,503** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **0** | (170,396) | **(170,396)** |
| **Total Comprehensive Expenditure/(Income)** | | **36,906** | **(3,403)** | **-** | **-** | **-** | **-** | **33,503** | **(170,396)** | **(136,893)** |
| Adjustments to useable reserves permitted by accounting standards | | (1,892) | (39) | **-** | **-** | **-** | **-** | **(1,931)** | 1,931 | **0** |
| Adjustments between accounting basis & funding basis under regulations | 13 | (34,476) | 3,442 | (382) | - | - | 2,202 | **(29,214)** | 29,214 | **0** |
| Transfers to/from Other Statutory Reserves | | 2 | - | - | (207) | 205 | - | **0** | - | **0** |
| **(Increase)/Decrease in 2021/22** | | **540** | **-** | **(382)** | **(207)** | **205** | **2,202** | **2,358** | **(139,251)** | **(136,893)** |
| **Balance c/fwd at 31/3/2022** | | **(44,431)** | **(986)** | **(1,238)** | **(2,256)** | **(653)** | **(1,719)** | **(51,283)** | **(348,844)** | **(400,127)** |
| **Movement in Reserves 2022/23** | | | | | | | | | | |
| (Surplus)/deficit on provision of Services | CIES | 42,461 | (3,268) | - | - | - | - | **39,193** | - | **39,193** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **0** | (324,542) | **(324,542)** |
| **Total Comprehensive Expenditure/(Income)** | | **42,461** | **(3,268)** | **-** | **-** | **-** | **-** | **39,193** | **(325,542)** | **(285,349)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,283) | (99) | **-** | **-** | **-** | **-** | **(7,382)** | 7,382 | **0** |
| Adjustments between accounting basis & funding basis under regulations | 13 | (19,886) | 3,367 | (227) | - | - | 622 | **(16,124)** | 16,124 | **0** |
| Transfers to/from Other Statutory Reserves | | (719) | - | - | 418 | 301 | - | **0** | - | **0** |
| **(Increase)/Decrease in 2022/23** | | **14,573** | **-** | **(227)** | **418** | **301** | **622** | **15,687** | **(301,036)** | **(285,349)** |
| **Balance c/fwd at 31/3/2023** | | **(29,858)** | **(986)** | **(1,465)** | **(1,838)** | **(352)** | **(1,097)** | **(35,596)** | **(649,880)** | **(685,476)** |

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| **31 March 2022 £000** | | **Note** | **31 March 2023 £000** |
|---|---|---|---|
| 3,110 | Intangible Assets | 4 | 2,472 |
| 807,616 | Property, Plant & Equipment | 14 | 842,401 |
| 1,512 | Heritage Assets | 15 | 1,418 |
| 1,183 | Investment Property | 4 | 1,236 |
| 17,048 | Long Term Debtors | 19 | 16,878 |
| - | Long Term Asset (Pensions) | 24 | 67,255 |
| **830,469** | **Long Term Assets** | | **931,660** |
| 559 | Inventories | 4 | 825 |
| 22,669 | Short Term Debtors | 20 | 22,143 |
| 430 | Short Term Investments | 4 | - |
| 285 | Assets Held for Sale | 4 | - |
| 9,835 | Cash and Cash Equivalents | 21 | 12,247 |
| **33,778** | **Current Assets** | | **35,215** |
| (11,681) | Short Term Borrowing | 27,28 | (37,631) |
| (62,829) | Short Term Creditors | 22 | (64,232) |
| (1,322) | Short Term Provisions | 4 | (1,380) |
| **(75,832)** | **Current Liabilities** | | **(103,243)** |
| (132,716) | Long Term Borrowing | 27 | (129,552) |
| (47,172) | PFI & PPP Liabilities | 23 | (44,439) |
| (2,232) | Capital Grants Receipts in Advance | 4 | (2,487) |
| (1,281) | Revenue Grants Receipts in Advance | 4 | (1,678) |
| (204,887) | Other Long Term Liability (Pensions) | 24 | - |
| **(388,288)** | **Long Term Liabilities** | | **(110,901)** |
| **400,127** | **Net Assets** | MIRS | **685,476** |
| (348,844) | Unusable Reserves | 25 | (649,880) |
| (51,283) | Usable Reserves | MIRS | (35,596) |
| **(400,127)** | **Total Reserves** | | **(685,476)** |

The unaudited accounts were issued on 8 June 2023.

Kirsty Stanners
Chief Officer Finance

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

| 2021/22 £000 | | Note | 2022/23 £000 |
|---|---|---|---|
| **33,503** | **Net Deficit on the Provision of Services** | MIRS | **39,193** |
| | **Adjustment for Non-Cash Movements** | | |
| (38,489) | Depreciation and impairments | | (40,271) |
| (417) | Non current asset adjustments | | (319) |
| (27,965) | Retirement benefits | | (24,404) |
| 134 | Net movement in stock | | 266 |
| (8,095) | Net movement in debtors | | (615) |
| (10,790) | Net movement in creditors and provisions | | (2,776) |
| 3,179 | Other Internal accounts adjustments | | (1,801) |
| **(82,443)** | | | **(69,920)** |
| | **Adjustments for Items Shown Within Investing and Financing Activities** | | |
| 396 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13 | 1,075 |
| 17,871 | Capital grants and contributions applied to capital financing | 11 | 27,308 |
| 161 | Other payments for financing activities (net contribution to/from NDR Pool) | NDR | (7,238) |
| **18,428** | | | **21,145** |
| **(30,512)** | **Net Cash Inflows from Operating Activities *** | | **(9,582)** |
| 57,737 | Purchase of property, plant and equipment, investment property and intangible assets | | 49,174 |
| (396) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13 | (1,075) |
| (30,772) | Capital grants, receipts and contributions applied to capital financing | | (28,003) |
| **26,569** | **Net Cash Outflows from Investing Activities** | | **20,096** |
| (16,110) | Cash receipts of short and long-term borrowing | | (41,115) |
| 28,574 | Cash repayments of short and long-term borrowing | | 18,399 |
| 2,531 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 23 | 2,552 |
| (161) | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | NDR | 7,238 |
| **14,834** | **Net Cash (In)/Outflows from Financing Activities** | | **(12,926)** |
| **10,891** | **Net (Increase) / Decrease in Cash and Cash Equivalents** | | **(2,412)** |
| 20,726 | Cash and Cash Equivalents at the Beginning of the Reporting Period | | 9,835 |
| **9,835** | **Cash and Cash Equivalents at the End of the Reporting Period** | 21 | **12,247** |

* The cash flows from operating activities in 2022/23 include interest received of £0.630m (2021/22, £0.485m) and interest paid of £14.142m (2021/22, £13.565m).

# Notes to the Single Entity Financial Statements

## 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax and rent payers how the funding available to the authority (government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices.

The EFA is structured in accordance with the Council's Management structure, whereby it shows how expenditure is allocated for decision making purposes between the authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2021/22 Restated | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** | | **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** |
| 322 | 129 | 451 | Chief Executive Office | 383 | 49 | 432 |
| 2,459 | 991 | 3,450 | Housing | 3,161 | 588 | 3,749 |
| 12,561 | 4,270 | 16,831 | People & Community Wellbeing | 11,048 | 4,122 | 15,170 |
| 7,775 | 2,712 | 10,487 | Customer Service and Performance | 9,267 | 2,923 | 12,190 |
| 10,868 | 1,538 | 12,406 | Children & Families | 11,582 | 1,467 | 13,049 |
| 92,121 | 20,426 | 112,547 | Schools & Learning | 105,461 | 16,560 | 122,021 |
| 7,364 | - | 7,364 | Balfron PFI & Schools PPP | 8,129 | - | 8,129 |
| 19,885 | 11,547 | 31,432 | Environment and Place | 21,049 | 10,568 | 31,617 |
| 13,564 | 2,912 | 16,476 | Infrastructure | 16,221 | 4,715 | 20,936 |
| 342 | 26 | 368 | City Region Deal | 600 | (148) | 452 |
| 2,261 | 1,651 | 3,912 | Economic Development & Culture | 3,656 | 2,401 | 6,057 |
| 4,015 | 726 | 4,741 | Finance | 4,333 | 717 | 5,050 |
| 2,095 | 742 | 2,837 | Governance | 2,627 | 549 | 3,176 |
| 41,613 | 3,444 | 45,057 | Clackmannanshire/Stirling Integration Joint Board | 48,654 | 2,818 | 51,472 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | 1,006 | - | 1,006 |
| 9,868 | (3,975) | 5,893 | Other Operating Income & Expenditure | 6,229 | (1,577) | 4,652 |
| **228,101** | **47,139** | **275,240** | **Net Cost Of General Services** | **253,406** | **45,752** | **299,158** |
| (2,292) | 2,578 | 286 | Housing Revenue Account | (3,154) | 4,610 | 1,456 |
| **225,809** | **49,717** | **275,526** | **Net Cost of Services** | **250,252** | **50,362** | **300,614** |
| - | 28 | 28 | (Gain)/Loss on Disposal of Non-Current Assets | - | (703) | (703) |
| - | 480 | 480 | Loss on Disposal of Investments | - | - | - |
| 19,437 | (5,871) | 13,566 | Interest Payable and Similar Charges | 17,639 | (3,456) | 14,183 |
| (789) | - | (789) | Interest Receivable and Similar Income | (825) | - | (825) |
| - | 18,777 | 18,777 | Interest Expense on Pension Liabilities | - | 24,657 | 24,657 |
| - | (12,290) | (12,290) | Interest Income on Pension Assets | - | (18,879) | (18,879) |
| - | (7) | (7) | Gain on Investment Property Revaluations | - | (53) | (53) |
| (243,917) | (17,871) | (261,788) | Taxation and Non-Specific Grant Income | (252,493) | (27,308) | (279,801) |
| **540** | **32,963** | **33,503** | **Deficit on Provision of Services** | **14,573** | **24,620** | **39,193** |
| (45,957) | | | Opening General Fund & HRA Reserves 1 April* | (45,417) | | |
| 540 | | | General Fund & HRA Deficit in Year* | 14,573 | | |
| **(45,417)** | | | **Closing General Fund & HRA Reserves 31 March*** | **(30,844)** | | |

* For a split of the reserves between the General Fund and HRA – see the Movement in Reserves Statement.

The following table provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Reserves to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

**2022/23: Adjustments between Funding and Accounting Basis**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) | Net Change for Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Chief Executive Office | - | 48 | 1 | 49 |
| Housing | 231 | 351 | 6 | 588 |
| People & Community Wellbeing | 2,484 | 1,622 | 16 | 4,122 |
| Customer Service and Performance | 1,638 | 1,261 | 24 | 2,923 |
| Children & Families | 41 | 1,414 | 12 | 1,467 |
| Schools & Learning | 12,429 | 5,898 | (1,767) | 16,560 |
| Environment and Place | 7,929 | 2,583 | 56 | 10,568 |
| Infrastructure | 3,232 | 1,466 | 17 | 4,715 |
| City Region Deal | - | (150) | 2 | (148) |
| Economic Development & Culture | 1,405 | 577 | 419 | 2,401 |
| Finance | - | 703 | 14 | 717 |
| Governance | - | 541 | 8 | 549 |
| Clackmannanshire/Stirling Integration Joint board | 141 | 2,655 | 22 | 2,818 |
| Other Operating Income & Expenditure | 177 | (2,055) | 301 | (1,577) |
| **Net Cost of General Services** | **29,707** | **16,914** | **(869)** | **45,752** |
| Housing Revenue Account | 2,883 | 1,712 | 15 | 4,610 |
| **Net Cost of Services** | **32,590** | **18,626** | **(854)** | **50,362** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (31,440) | 5,778 | (80) | **(25,742)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **1,150** | **24,404** | **(934)** | **24,620** |

The reportable Service segments within "Net Cost of Services" shown above and also within the Comprehensive Income & Expenditure Account follow the Council's Management structure.

***Note 1: Adjustments for Capital Purposes***

Within 'Net Cost of Services', adjustments have been made to add in depreciation and asset impairments and to deduct capital financed from current revenue (CFCR). Within 'Other Income and Expenditure', adjustments have been made to:

- Add the net gain/loss on disposal of non current assets and the net gain/loss on revaluation of investment properties;
- Deduct the statutory charges for capital financing (principal repayments) as these are not chargeable under generally accepted accounting practices; and
- Add capital grants receivable in the year without conditions, or for which conditions were satisfied in the year.

***Note 2: Net Change for Pensions Adjustments***

Within 'Net Cost of Services', adjustments have been made to remove the actual employer pension contributions made by the authority as allowed by statute and to replace these with actuarial estimates of current service costs and past service costs in accordance with IAS19 Employee Benefits. Within 'Other Income and Expenditure', adjustments have been made to include the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement in accordance with IAS19 Employee Benefits.

***Note 3: Other Differences***

Within 'Net Cost of Services', adjustments have been made to remove transfers to or from earmarked reserves, i.e. holiday pay, insurance fund, repairs and renewal fund. Within 'Other Income and Expenditure', adjustments have been made to recognise the impact on the General Fund from timing differences relating to premiums and discounts.

**2021/22: Comparative Adjustments between Funding and Accounting Basis**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) | Net Change for Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Chief Executive Office | - | 129 | - | 129 |
| Housing | 75 | 915 | 1 | 991 |
| People & Community Wellbeing | 2,225 | 2,027 | 18 | 4,270 |
| Customer Service and Performance | 1,585 | 1,124 | 3 | 2,712 |
| Children & Families | 103 | 1,425 | 10 | 1,538 |
| Schools & Learning | 11,952 | 6,910 | 1,564 | 20,426 |
| Environment and Place | 7,516 | 4,031 | - | 11,547 |
| Infrastructure | 1,857 | 1,053 | 2 | 2,912 |
| City Region Deal | - | 20 | 6 | 26 |
| Economic Development & Culture | 1,381 | 476 | (206) | 1,651 |
| Finance | - | 724 | 2 | 726 |
| Governance | 1 | 738 | 3 | 742 |
| Clackmannanshire/Stirling Integration Joint board | 298 | 3,131 | 15 | 3,444 |
| Other Operating Income & Expenditure | (2,211) | (1,981) | 217 | (3,975) |
| **Net Cost of General Services** | **24,782** | **20,722** | **1,635** | **47,139** |
| Housing Revenue Account | 1,821 | 756 | 1 | 2,578 |
| **Net Cost of Services** | **26,603** | **21,478** | **1,636** | **49,717** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (23,161) | 6,487 | (80) | **(16,754)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **3,442** | **27,965** | **1,556** | **32,963** |

## 2. Expenditure and Income Analysis By Nature

The Council's expenditure and income for 2022/23 can be analysed as follows:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| | **Expenditure** | |
| 177,616 | Employee Benefit Expenses | 192,565 |
| 216,616 | Other Service Expenses | 235,892 |
| 38,489 | Depreciation, Amortisation & Impairment | 40,271 |
| 13,565 | Interest Payable & Similar Charges | 14,142 |
| 28 | (Gain)/Loss on Disposal of Assets | (703) |
| 480 | Loss on Disposal of Investments | - |
| **446,794** | **Total Expenditure** | **481,167** |
| | **Income** | |
| (150,714) | Fees, Charges & Other Service Income | (161,348) |
| (789) | Interest & Investment Income | (825) |
| (80,182) | Income from Council Tax & Non Domestic Rates | (91,053) |
| (181,606) | Government Grants & Contributions | (188,748) |
| **(413,291)** | **Total Income** | **(441,974)** |
| **33,503** | **Deficit on Provision of Services** | **39,193** |

## 3. Reconciliation of Comprehensive Income & Expenditure Statement Deficit to Revenue Budget Deficit

The *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement (CIES) reports the Council's financial performance for the year in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003. These requirements include accounting for various statutory adjustments and earmarked reserve movements that don't feature in Revenue Budget outturn position statements reported to Committee.

The following table provides a reconciliation between the *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement and the Budget Outturn deficit as reported to Committee (see Management Commentary pages 16 and 17).

| | £'000 | £'000 |
|---|---|---|
| **Deficit on Provision of Services (per CIES)** | | **39,193** |
| Add Housing Revenue Account (HRA) Surplus | | 3,268 |
| **Deficit on Provision of General Fund Services** | | **42,461** |
| | | |
| **Remove statutory adjustments that don't feature in revenue budget outturn:** | | |
| Depreciation of non-current assets | (30,303) | |
| Impairment of non-current assets | (1,081) | |
| Net gain/loss on disposal of non-current assets | 676 | |
| Movement in the market value of Investment Properties | 80 | |
| Statutory provision for the financing of capital investment | 53 | |
| Capital expenditure charged to the General Fund | 3,376 | |
| Capital grants and contributions applied to capital financing | 1,677 | |
| Pension costs adjustments | 18,995 | |
| Employees' holiday pay accrual | (22,230) | |
| Transfers to/from other statutory reserves | 1,588 | |
| | | (27,888) |
| **Movement in General Fund Balance (per Movement in Reserves Statement)** | | **14,573** |
| | | |
| **Adjust for Earmarked Reserves Movements:** | | |
| To meet Service policy objectives and service delivery initiatives | (5,916) | |
| To meet Transformational initiatives | (1,316) | |
| To meet Covid-19 pressures | (5,943) | |
| Schools Devolved Budget Management movements | (279) | |
| Repurposed Earmarked Balances movements | 3,392 | |
| | | (10,062) |
| **Revenue Budget Deficit for 2022/23 (reported to Committee)** | | **4,511** |

## 4. General Accounting Policies (where there is no accompanying note)

**General Principles**

The Statement of Accounts summarises Stirling Council's transactions for the 2022/23 financial year and its position as at 31 March 2023. Stirling Council is required to prepare an annual Statement of Accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 also requires the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government in Scotland Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

**Accounting Concepts and Principles**

The accounting concepts followed in the application of accounting policies are:

- Accruals - income and expenditure is recognised in the period in which it is incurred or earned, with sums due to or from the Council during the year being included, whether or not the cash has actually been received or paid in the year.
- Going concern - this assumes that Stirling Council will continue in existence for the foreseeable future.

The accounting concepts are supported by qualitative characteristics prescribed by the International Accounting

Standards Board's Conceptual Framework for Financial Reporting:

- Two fundamental characteristics (relevance and faithful representation, of which faithful representation has three characteristics - completeness, neutrality and freedom from error); and
- Four enhancement characteristics, which complement the fundamental characteristics (comparable, verifiable, timely and understandable).

**Prior Period Adjustments, Changes In Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

In the event of any material errors being discovered in prior period figures, these will be corrected retrospectively by amending opening balances and comparative amounts for the prior year.

**Revenue Recognition**

Revenue from the sale of goods is recognised when Stirling Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when Stirling Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to Stirling Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

**Intangible Assets**

Expenditure on intangible assets that do not have physical substance but are controlled by Stirling Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The carrying value of intangible assets as at 31 March 2023 is £2.472m (31 March 2022, £3.110m).

**Surplus Assets**

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as Investment Properties or Assets Held for Sale, i.e. Surplus assets, are measured at fair value (at highest and best use) based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (highest and best use), based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation and/or disposals are posted to the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account with sale proceeds being posted to Capital Receipts Reserve.

Stirling Council currently has 2 investment properties being the Stirling Highland Hotel and the Bio-Reliance Building at Stirling University with a combined carrying value of £1.236m as at 31 March 2023 (£1.183m, 31 March 2022). The investment properties were revalued in 2022/23 with a net gain on revaluation of £0.053m.

Rental income received during 2022/23 from Investment Properties was £0.147m (2021/22, £0.157m). Stirling Council incurred no direct expenses relating to these properties.

**Long & Short Term Investments**

During 2022/23, an amount of £0.430m was repaid as part of the wind-up of Stirling Waterfront LLP and the acquisition of the final properties by the re-purposed Steadfast Homes Ltd.

**Inventories**

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. Certain inventories

have been valued at latest invoice price. The difference between the policy adopted for inventories and that required by the Accounting Code of Practice is not considered material. The carrying value of inventories as at 31 March 2023 is £0.825m (31 March 2022, £0.559m).

**Assets Held for Sale**

At the balance sheet date, when it is probable that the carrying amount of an asset will be recovered through a sale transaction, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The carrying value of assets held for sale as at 31 March 2023 is £nil (31 March 2022, £0.285m).

**Provisions**

Provisions are made where an event has taken place that gives Stirling Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Stirling Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Stirling Council has made provision of £1.380m in relation to the self-funded elements of Property, Liability and Motor insurance claims which remain unsettled as at 31 March 2023.

**Revenue & Capital Grants Received in Advance**

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance:

- The carrying value of revenue grants received in advance as at 31 March 2023 is £1.678m (31 March 2022, £1.281m).
- The carrying value of capital grants received in advance as at 31 March 2023 is £2.487m (31 March 2022, £2.232m).

## 5. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the impact of accounting changes that will be required by new accounting standards due to be adopted in future years. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24, information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of the above are expected to have an impact on the 2022/23 or 2023/24 Accounts.

IFRS16 Leases implementation was originally 1 April 2020 but has been deferred again until 1 April 2024. Whilst the Code allows for adoption at an earlier date, Stirling Council has opted to wait for the implementation date.

## 6. Critical Judgements in Applying Accounting Policies

In applying accounting policies, Stirling Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

**Public Sector Funding**

There is significant uncertainty regarding the level of funding for local government in the medium to longer term. Our short to medium term future plan estimates a budget gap of £17m over the period to 2025/26, and while future funding levels remain uncertain, our financial planning in the short to medium term will ensure action is taken to close the gap albeit recognising the extent of the estimation within our planning model. The Council has determined that any uncertainty over future funding does not provide any reasonable indication that service levels would be affected to such an extent that the use and value of its assets would be measurably affected.

**Fair Value Measurements**

In measuring fair value, Stirling Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of

unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within a fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset of liability.

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Authority's internal valuer identifies the most appropriate valuation techniques to determine fair value

We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, contingent liabilities have been disclosed in Note 8.

**Schools PFI and PPP Arrangements**

The Council has entered into one Private Finance Initiative (PFI) and one Public Private Partnership (PPP) contract for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded these are service concession arrangements. We are deemed to control the services provided under PFI/PPP and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI/PPP have been applied to these arrangements and the assets under the contracts (valued at net book value of £162.606m at 31 March 2023) are recognised as Property, Plant & Equipment (PPE) on the Council's Balance Sheet.

**Lease Arrangements**

The Council has a number of operating lease arrangements in respect of "leased in" property and vehicles for use by the Council, and "leased out" Council owned property for use by third parties (see note 25).

## 7. Future Assumptions and Estimation Uncertainties

The disclosure requirements for sources of estimation uncertainty apply to a limited set of matters. They relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

These Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment (PPE)**

PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by c. £5m for each year that useful lives were reduced by one year. (See note 14 for carrying values of PPE assets).

**Fair Value Measurements**

Assets held at fair value are revalued on a five year rolling basis by a professionally qualified Royal Institution of Chartered Surveyors (RICS) valuer. In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the Council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on assets. Falkirk Pension Fund has engaged consulting actuaries (Hymans Robertson) to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in assumptions can be measured, for example, a 0.1% decrease in the real discount rate would result in an increase in the pension liability of 2% or £11.518m (see note 24). However, the assumptions interact in complex ways. The valuation of pension fund assets and liabilities at 31 March 2023 is £707.200m and £639.945m respectively.

**Debtor Provisions**

Stirling Council has made provision of £16.466m in relation to outstanding debtor balances (note 20). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, in the current economic climate (COVID Pandemic Recovery and Cost of Living Crisis) it is not certain that such provisions will continue to be sufficient. If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held.

**Insurance Provision**

Stirling Council has made provision of £1.380m in relation to the self-funded elements of Property, Liability and Motor claims which remain unsettled as at 31 March 2023 (£1.322m, 31 March 2022). Although the current provision is deemed sufficient to cover known liabilities that may arise in the foreseeable future, it is not certain as to the potential extent of future claims that may be received by Stirling Council. Any increase in potential claims over and above the £1.380m provision will have a direct impact on the net cost of services within the Comprehensive Income & Expenditure Statement.

**Economic Influences**

High inflation rates and the ongoing war in Ukraine continue to have a significant impact on the local and national economy, particularly on supply chain costs across all sectors including energy, fuel, food and construction. This is anticipated to continue in the short to medium term future affecting the cost of Council service provision and completion of capital programme works, as well as increase the demand for welfare services within our communities. As always, the Council will continue to monitor the ongoing economic position and will manage and plan accordingly through ongoing review of available funding and reserves.

## 8. Contingent Liabilities

**Guarantor Arrangements**

Stirling Council acts as guarantor in respect of Stirling Technology Project Ltd.'s obligations under its bank loan agreement. At 31 March 2023 the sum guaranteed was £0.266m (31 March 2022, £0.466m).

Active Stirling Ltd, a subsidiary of Stirling Council, has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council - refer to Group Accounts statements and notes for fuller explanation.

Stirling Council continues to act as a guarantor in respect of Thinkwhere Ltd pension liabilities. At each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August 2021) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or surplus will be shared 50/50 between Falkirk and Stirling Council. Following the most recent triennial valuation as at 31 March 2020, the pension deficit amounted to c. £750k to be split in funding terms between both Councils. The next triennial valuation is due on 31 March 2023.

## 9. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events:

- Adjusting events - those that provide evidence of conditions that existed at the end of the reporting period and the Statements are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Any post balance sheet events requiring disclosure will be included in the audited version of these accounts.

## 10. External Audit Costs

The anticipated audit fee for 2022/23 is £0.289m in respect of external audit services carried out by the appointed auditor (£0.257m, 2021/22). The auditor did not undertake any non-audit work in 2022/23 or 2021/22.

## 11. Grants and Taxation Income

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to Stirling Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received. Amounts recognised as due to Stirling Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Stirling Council credited the following grants, contributions and taxation income to the Comprehensive Income and Expenditure Statement:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefit (Rent Allowance & Rent Rebate) Subsidy | (13,994) | (14,198) |
| Other Grants, Reimbursements & Contributions (Government) | (34,398) | (21,071) |
| Other Grants, Reimbursements & Contributions (Non-Government) | (15,327) | (10,223) |
| Housing Benefit/Council Tax Benefit Admin Grant | (223) | (239) |
| **Total** | **(63,942)** | **(45,731)** |
| Council Tax/Community Charge | (53,024) | (55,111) |
| General Government Grant | (163,735) | (161,440) |
| Non Domestic Rate Redistribution | (27,158) | (35,942) |
| Capital Grants and Contributions | (17,871) | (27,308) |
| **Total** | **(261,788)** | **(279,801)** |

## 12. General Fund Reserves

This note shows General Fund Reserves split between earmarked and uncommitted reserves.

| | Balance at 1 April 2022 £000 | Use of Reserves 2022/23 £000 | New Reserves 2022/23 £000 | Balance at 31 March 2023 £000 |
|---|---|---|---|---|
| Budget 22/23 Repurposed Reserves | (1,958) | 1,958 | - | 0 |
| Budget 23/24 Repurposed Reserves | 0 | - | (5,350) | (5,350) |
| Chief Executive Office Initiatives | (59) | - | (16) | (75) |
| Children & Families Initiatives | (970) | 703 | (614) | (881) |
| City Region Deal | (187) | 122 | - | (65) |
| Corporate Systems Developments | (152) | - | - | (152) |
| Council Tax Discount on 2nd Homes | (318) | - | - | (318) |
| COVID-19 Pandemic Recovery *** | (13,219) | 8,592 | - | (4,627) |
| Customer Services and Performance Initiatives | (318) | (67) | 42 | 0 |
| Deposit - Earlsburn Windfarm | (3,560) | (318) | - | (9) |
| Economic Development, Culture & Tourism Initiatives | (306) | (1,840) | 1,451 | (627) |
| Environment and Place Initiatives | (32) | (306) | 250 | (273) |
| Finance Initiatives | (211) | (32) | 32 | 0 |
| Future Stirling Elections | (20) | (211) | 81 | 0 |
| Governance Initiatives | (765) | (20) | 20 | 0 |
| Homeless Prevention | (100) | (765) | 584 | 0 |
| Housing Initiatives | (550) | (100) | 5 | 0 |
| Infrastructure Initiatives | (50) | (550) | 293 | 0 |
| PB Pilot Year Funding (Revenue) | (132) | (132) | - | 0 |
| People & Community Wellbeing Initiatives | (920) | (1,770) | 535 | (525) |
| Scheme of Devolved Budget Management within Education | (5,419) | (920) | 283 | (4) |
| Schools and Learning Initiatives | (44) | (5,434) | 3,380 | (1,244) |
| Stirling Business Investment Fund | (67) | (44) | - | 0 |
| Stirling Development Agency Ltd Dividend | (896) | - | - | (1,500) |
| Strategic Housing Account | (2,556) | (896) | - | (350) |
| Transformation Fund Balances | (1,414) | (2,556) | 1,316 | 0 |
| **Earmarked Reserves** | **(34,238)** | **21,298** | **(11,236)** | **(24,176)** |
| **Uncommitted Reserves** | (10,193) | 4,511 | - | (5,682) |
| **Total Reserves** | **(44,431)** | **25,809** | **(11,236)** | **(29,858)** |

***** A detailed analysis of earmarked reserves specifically set aside for COVID-19 Pandemic Recovery is as follows:**

| | Balance at 1 April 2022 £000 | Use of Reserves 2022/23 £000 | Balance at 31 March 2023 £000 |
|---|---|---|---|
| Covid-19 Additional Education Monies | (457) | 390 | (67) |
| Covid-19 Business Support & Low Income Household | (1,390) | 1,390 | 0 |
| Covid-19 Business Support Admin | (65) | 65 | 0 |
| Covid-19 Business Transition Fund | (84) | 84 | 0 |
| Covid-19 Co2 monitors | (54) | 54 | 0 |
| Covid-19 Community Justice | (3) | - | (3) |
| Covid-19 Financial Insecurity Flexible funding | (27) | 27 | 0 |
| Covid-19 Free School Meals (Easter) | (45) | 45 | 0 |
| Covid-19 Pandemic Recovery - Non Service | (10,378) | 5,943 | (4,435) |
| Covid-19 Parental Employability Support Fund | (88) | - | (88) |
| Covid-19 Spring Hardship | (186) | 186 | 0 |
| Covid-19 Tackling Financial Insecurity | (338) | 304 | (34) |
| Covid-19 Tenant Grant Fund | (104) | 104 | 0 |
| **Total Reserves** | **(13,219)** | **8,592** | **(4,627)** |

## 13. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by Stirling Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| Adjustments made in 2022/23 | Note | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants & Receipts Unapplied £000 | Unusable Reserves Movement £000 |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 13 | (1,708) | (81) | - | - | 1,789 |
| PPE depreciation written off on disposal or sale | 13 | 1,338 | 81 | - | - | (1,419) |
| Intangible Assets written off on disposal or sale | | (9) | - | - | - | 9 |
| Intangible Assets depreciation written off on disposal or sale | | 9 | - | - | - | (9) |
| Sale proceeds from disposal of non-current assets | | 1,048 | 27 | (1,075) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 16 | - | - | 846 | - | (846) |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (2) | - | 2 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **676** | **27** | **(227)** | **-** | **(476)** |
| **Capital grants & contributions applied to capital financing** | 10 | **18,995** | **8,313** | **-** | **-** | **(27,308)** |
| **Amortisation of intangible assets** | | **(790)** | **(8)** | **-** | **-** | **798** |
| Non-current asset revaluation decreases to CIES | 13 | (1,716) | (4,369) | - | - | 6,085 |
| Reversal of non-current asset revaluation decreases to CIES | 13 | 635 | 2,122 | - | - | (2,757) |
| Non-current asset depreciation charged to CIES | 13 | (22,230) | (6,534) | - | - | 28,764 |
| **Depreciation and impairment of non-current assets** | | **(23,311)** | **(8,781)** | **-** | **-** | **32,092** |
| **Movement in the market value of investment properties** | CIES | **53** | **-** | **-** | **-** | **(53)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 23,24 | **(42,928)** | **(3,721)** | **-** | **-** | **46,649** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 23 | **20,698** | **1,547** | **-** | **-** | **(22,245)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 16,24 | - | - | - | 1,544 | (1,544) |
| New Capital Grants Unapplied | 16,24 | - | - | - | (922) | 922 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | - | **-** | **-** | **622** | **(622)** |
| **Statutory provision for the financing of capital investment** | 16,24 | **3,376** | **753** | **-** | **-** | **(4,129)** |
| **Capital expenditure charged to the General Fund & HRA** | 16,24 | **1,677** | **5,252** | **-** | **-** | **(6,929)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 24 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)** | 24 | **1,588** | **(15)** | **-** | **-** | **(1,573)** |
| **Total Adjustments 2022/23** | | **(19,886)** | **3,367** | **(227)** | **622** | **16,124** |

| **Comparative Adjustments made in 2021/22** | **Note** | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Capital Grants & Receipts Unapplied £000** | **Unusable Reserves Movement £000** |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 13 | (4,575) | (141) | - | - | 4,716 |
| PPE depreciation written off on disposal or sale | 13 | 4,161 | 137 | - | - | (4,298) |
| Investment non-current assets written off on disposal or sale | | (480) | - | - | - | 480 |
| Intangible Assets written off on disposal or sale | | (828) | (96) | - | - | 924 |
| Intangible Assets depreciation written off on disposal or sale | | 826 | 95 | - | - | (921) |
| Sale proceeds from disposal of non-current assets | | 385 | 11 | (396) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 16 | - | - | 11 | - | (11) |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (3) | - | 3 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **(514)** | **6** | **(382)** | **-** | **890** |
| **Capital grants & contributions applied to capital financing** | 10 | **11,692** | **6,179** | **-** | **-** | **(17,871)** |
| **Amortisation of intangible assets** | | **(674)** | **(18)** | **-** | **-** | **692** |
| Non-current asset revaluation decreases to CIES | 13 | (2,237) | (16,267) | - | - | 18,504 |
| Reversal of non-current asset revaluation decreases to CIES | 13 | 2,829 | 12,332 | - | - | (15,161) |
| Non-current asset depreciation charged to CIES | 13 | (26,632) | (5,841) | - | - | 32,473 |
| AHFS revaluation increases/(decreases) to CIES | | (51) | - | - | - | 51 |
| **Depreciation and impairment of non-current assets** | | **(26,091)** | **(9,776)** | **-** | **-** | **35,867** |
| **Movement in the market value of investment properties** | CIES | **7** | **-** | **-** | **-** | **(7)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 23,24 | **(46,802)** | **(1,504)** | **-** | **-** | **48,306** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 23 | **19,796** | **545** | **-** | **-** | **(20,341)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 16,24 | (246) | - | - | 2,471 | (2,225) |
| New Capital Grants Unapplied | 16,24 | - | - | - | (269) | 269 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | **(246)** | **-** | **-** | **2,202** | **(1,956)** |
| **Statutory provision for the financing of capital investment** | 16,24 | **5,791** | **1,958** | **-** | **-** | **(7,749)** |
| **Capital expenditure charged to the General Fund & HRA** | 16,24 | **4,121** | **6,053** | **-** | **-** | **(10,174)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 24 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)** | 24 | **(1,636)** | **(1)** | **-** | **-** | **1,637** |
| **Total Adjustments 2021/22** | | **(34,476)** | **3,442** | **(382)** | **2,202** | **29,214** |

## 14. Property, Plant & Equipment

Property, Plant and Equipment assets are those that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one financial year.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to Stirling Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cashflows of the authority).

Property, plant and equipment assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets Under Construction - Depreciated historical cost
- Council Dwellings - Existing use value for social housing (EUV-SH)
- Surplus assets - Fair value at highest and best use
- All other assets - if no active market exists for the asset or the asset is specialised, measure at depreciated replacement cost. If an active market exists for the asset, measure at existing use value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Stirling Council carries out a rolling programme which ensures that all Property, Plant and Equipment to be measured at fair value, Council Dwellings, Other Land & Buildings and Surplus Assets undergo revaluation at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a Service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

For 2022/23, this assessment resulted in earlier, desktop, valuations for various asset classes to reflect estimated material movements in current value, at 31 March 2023, since the last formal revaluations:

- Council dwellings – revalued using Registers of Scotland average house price data to reflect the inflation in the housing market over the period 2021/22 to 2022/23.
- Desktop valuation by external valuer of a sample of assets within a range of assets classes, where assets normally valued on a depreciation replacement cost basis, to reflect the increased inflationary values, and the impact of such on the depreciated replacement costs valuation for such asset types. Where a material change was assessed, the relevant BCIS (Building Cost Information Service) Indices was applied to all assets within the relevant asset class to extrapolate an updated building valuation. Unless specifically sampled and revalued, land values were assumed to remain constant. Asset classes included: schools, artificial pitches, cultural assets, hostels, community centres, sports stadium and libraries.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), Investment Properties and assets not yet available for use (Assets under Construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Stirling Council Valuer.
- Vehicles, plant and equipment – straight-line allocation over the useful life of each assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 30-50 years depending on the type of infrastructure asset (e.g. road, bridge etc.).

Services are charged with depreciation, where appropriate, for the use of assets no matter how they are financed. Depreciation on Stirling Council's non-operational assets is not charged to Service revenue accounts. It is however reflected in the Comprehensive Income and Expenditure Statement through Other Operating Income and Expenditure.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Component Accounting**

Where a significant component part of an item of Property, Plant & Equipment (PPE) is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement). It should be noted that council dwellings, other land and buildings and surplus assets are considered for componentisation with no de-minimis thresholds set by Stirling Council.

**Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All amounts received for a disposal are categorised as capital receipts and require to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce Stirling Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Movements in Property, Plant and Equipment**

The movements in Property, Plant and Equipment during 2022/23 are as follows:

| **Movements 2022/23** | **Council Dwellings** | **Other Land & Buildings** | **Vehicles, Plant & Equip** | **Infra-Structure Assets** | **Community Assets** | **Surplus Assets** | **Assets Under Construction** | **Total Property, Plant & Equip** |
|---|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2022** | **175,251** | **437,891** | **37,065** | **128,833** | **6,412** | **7,168** | **14,996** | **807,616** |
| **Additions** | 16,232 | 3.777 | 4,567 | 12,591 | 529 | - | 8,556 | **46,252** |
| **Revaluations** | - | 19,277 | - | (35) | 7 | (22) | - | **19,227** |
| **Impairment** | (1,879) | (978) | - | (497) | 5 | 22 | - | **(3,327)** |
| **Depreciation** | (4,417) | (10,818) | (3,659) | (6,451) | (517) | - | - | **(25,862)** |
| **Reclassifications** | 4,421 | 2,057 | 43 | 35 | - | 231 | (6,503) | **284** |
| **Disposals** | (47) | (376) | (230) | - | - | - | - | **(653)** |
| **De-recognition** | - | - | (1,136) | - | - | - | - | **(1,136)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2023** | **189,561** | **450,831** | **36,650** | **134,476** | **6,436** | **7,399** | **17,049** | **842,401** |
| **Gross Book Value** | 208,766 | 508,044 | 58,805 | - | 11,296 | 7,398 | 17,049 | **811,358** |
| **Accumulated Depreciation** | (19,205) | (57,213) | (22,154) | - | (4,861) | - | - | **(103,433)** |
| | **189,561** | **450,831** | **36,651** | **0** | **6,435** | **7,398** | **17,049** | **709,925** |
| Infrastructure Assets | - | - | - | 134,476 | - | - | - | **134,476** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2023** | **189,561** | **450,831** | **36,651** | **134,476** | **6,435** | **7,398** | **17,049** | **842,401** |

| **Movements 2021/22** | **Council Dwellings** | **Other Land & Buildings** | **Vehicles, Plant & Equip** | **Infra-Structure Assets** | **Community Assets** | **Surplus Assets** | **Assets Under Construction** | **Total Property, Plant & Equip** |
|---|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2021** | **160,143** | **419,666** | **35,380** | **124,747** | **6,608** | **5,360** | **15,639** | **767,542** |
| **Additions** | 14,669 | 3,621 | 6,359 | 9,868 | 427 | - | 9,366 | **44,310** |
| **Revaluations** | 12,288 | 24,700 | - | - | - | (2,407) | (157) | **34,424** |
| **Impairment** | (14,960) | (562) | - | - | - | 16 | (1,175) | **(16,681)** |
| **Depreciation** | (3,901) | (7,028) | (4,663) | (6,133) | (515) | 139 | - | **(22,101)** |
| **Reclassifications** | 7,012 | (2,087) | (11) | 351 | (108) | 4,060 | (8,677) | **540** |
| **Disposals** | - | (300) | - | - | - | - | - | **(300)** |
| **De-recognition** | - | (119) | - | - | - | - | - | **(119)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2022** | **175,251** | **437,891** | **37,065** | **128,833** | **6,412** | **7,168** | **14,996** | **807,616** |
| **Gross Book Value** | 190,039 | 484,286 | 55,559 | n/a | 10,756 | 7,168 | 14,996 | **762,804** |
| **Accumulated Depreciation** | (14,788) | (46,395) | (18,494) | n/a | (4,344) | 0 | 0 | **(84,021)** |
| | **175,251** | **437,891** | **37,065** | **n/a** | **6,412** | **7,168** | **14,996** | **678,783** |
| Infrastructure Assets | - | - | - | 128,833 | - | - | - | **128,833** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2022** | **175,251** | **437,891** | **37,065** | **128,833** | **6,412** | **7,168** | **14,996** | **807,616** |

**Infrastructure Assets**

In line with the Local Government Finance Circular 09/2022: Statutory Over-ride – Accounting for Infrastructure Assets, the Council has opted to apply both statutory over-rides.

Statutory Override 1: This permits that, for accounting periods commencing from 1 April 2021 to 31 March 2024, the Council is not required to report the gross cost and accumulated depreciation for infrastructure assets. Therefore, in the table above, Infrastructure assets are presented on a net book value basis only.

Statutory Override 2: This requires that, for the periods from 1 April 2010 to 31 March 2021, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

**PFI/PPP Assets**

The net book value of PFI/PPP assets included in Other Land & Buildings as at 31 March 2023 is £162.606m (31 March 2022, £154.859m).

**Capital Commitments**

During 2022/23, the Council entered into a number of contracts for the construction of Property, Plant & Equipment within its approved Capital Programme. The delivery of the capital programme has continued to be impacted by a worldwide shortage of raw materials and cost increases.

The General Services Capital Programme underspent by £20.130m. However, £12.872m of this amount was already anticipated early in the financial year and re-profiled into the 2023/24 Capital Programme approved on 3 March 2023. Recommendations for further carry forward will be presented to Council in June 2022 to enable existing 2022/23 commitments to be met. The most significant projects, at 31st March 2022 were:

Secondary School specialist provision (complex needs & ASN) £5.868m; Borestone Primary School £1.960m; Callander Primary School £23.829m; Analogue to Digital switchover for Mobile Emergency Care Services £0.914m;

The Housing Capital Programme overspent by £3.529m, mainly in relation to New House Building / Purchases, Renewable Technologies and external works. Housing Services continue to progress with an ambitious programme of new council housing across the Stirling area; investment is planned for 141 homes during 2023/24 across several sites with £8.1m earmarked to support this.

## 15. Heritage Assets

Stirling Council holds and conserves various heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Stirling.

Heritage assets are presented separately in the Balance Sheet from other Property, Plant and Equipment assets and are measured at either historic cost or fair value. Valuations may be made by any method that is appropriate and relevant, including valuations for insurance purposes. Where it is not practicable to obtain a fair value, heritage assets are measured at historical cost. Depreciation is not charged on heritage assets that have indefinite lives, but the carrying amount is reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with Stirling Council's general policies on impairment.

The following provides an analysis of the carrying values of heritage assets held by the Council over the past 5 years.

| | Civic Regalia £000 | Historical Artefacts £000 | Restated Furniture & Artwork £000 | Memorials £000 | Total Assets £000 |
|---|---|---|---|---|---|
| **Net carrying amount at 31 March 2019** | **15** | **1,128** | **171** | **56** | **1,370** |
| Revaluations | 1 | 28 | 4 | - | **33** |
| **Net carrying amount at 31 March 2020** | **16** | **1,156** | **175** | **56** | **1,403** |
| Revaluations | - | 23 | 4 | - | **27** |
| **Net carrying amount at 31 March 2021** | **16** | **1,179** | **179** | **56** | **1,430** |
| Revaluations | 1 | 71 | 10 | - | **82** |
| **Net carrying amount at 31 March 2022** | **17** | **1,250** | **189** | **56** | **1,512** |
| Revaluations | 2 | (121) | 25 | - | **(94)** |
| **Net carrying amount at 31 March 2023** | **19** | **1,129** | **214** | **56** | **1,418** |

Civic Regalia items comprise the Council Mace, Provost Chain, Provost Medal and four Bailie Chains. Historical Artefacts comprise the Wallace Sword and the Old Stirling High School Telescope. Furniture & Artwork comprise those items on display within Council offices. All have been included in the Balance Sheet at updated valuations which were carried out by a qualified valuer during 2022/23.

In terms of Memorials, the Council considers that it is not practical to obtain a valuation at a cost commensurate with the benefits to users of the financial statements, and that reliable cost or valuation information cannot be obtained. These include the Wallace Monument, statues, monuments, war memorials, fountains and clock towers. These assets are recognised on the Balance Sheet at a nominal sum of £1 each plus any relevant expenditure incurred.

## 16. Impairments/Downward Revaluations

Assets subject to a reduction in value as a result of impairment and/or downward revaluation have been accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant Service line(s) in the Comprehensive Income and Expenditure Statement

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant Service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. The following table outlines revaluation losses charged and revaluation reversals credited to the Surplus or Deficit on the Provision of Services.

| Assets | 2021/22 Losses £000 | 2021/22 Reversals £000 | 2021/22 Totals £000 | 2022/23 Losses £000 | 2022/23 Reversals £000 | 2022/23 Totals £000 |
|---|---|---|---|---|---|---|
| Car Parks | 173 | (1,501) | (1,328) | 163 | - | 163 |
| Community Facilities / Shops / Retail | 1,308 | (293) | 1,015 | 408 | (25) | 383 |
| Office Sites & Depots | 47 | (9) | 38 | - | (8) | (8) |
| Regeneration / Development Sites | 1,301 | - | 1,301 | 1,460 | (56) | 1,404 |
| Residential Accommodation | 14,960 | (12,287) | 2,673 | 4,054 | (2,075) | 1,979 |
| Schools / Educational Establishments | 765 | (1,071) | (306) | - | (593) | (593) |
| **Totals** | **18,554** | **(15,161)** | **3,393** | **6,085** | **(2,757)** | **3,328** |

The £4.054m loss and £2.075m reversal on residential accommodation predominantly relates to HRA Council Dwellings. Expenditure on the purchase/construction of properties and on the enhancement of existing properties is initially capitalised at cost. When these assets are complete, the required valuation methodology is Existing Use Value - Social Housing (EUV-SH), resulting in a reduction in the carrying value and an impairment charge.

## 17. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by Stirling Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| | | 2021/22 £000 | 2022/23 £000 |
|---|---|---|---|
| **Opening Capital Financing Requirement** | | **261,171** | **265,485** |
| **Capital Investment** | Property, Plant and Equipment | 44,310 | 46,252 |
| | Intangible Assets | 765 | 159 |
| | Revenue Expenditure Funded from Capital under Statute | 1,204 | 1,136 |
| | Long Term Debtor | 12,524 | 120 |
| **Sources of Finance** | Capital receipts | (11) | (846) |
| | Capital grants & contributions | (15,843) | (26,306) |
| | Capital grants (Revenue Expenditure Funded from Capital under Statute) | (957) | (1,136) |
| | Application of capital grants unapplied/capital grants received in advance | (7,566) | (1,653) |
| | Repayment of Long Term Investment | (854) | (430) |
| | Repayment of long term debtor | (11,335) | (254) |
| | Direct revenue contributions | (10,174) | (6,928) |
| | Loans fund principal | (7,749) | (4,129) |
| **Closing Capital Financing Requirement** | | **265,485** | **271,470** |
| **Increase/(decrease) in CFR (unsupported by government financial assistance)** | | **4,314** | **5,985** |
| | General Services | 192,633 | 191,055 |
| | HRA | 72,852 | 80,415 |
| | | **261,171** | **271,470** |

## 18. Asset Revaluation Programme

Stirling Council carries out a rolling programme which ensures that the Property, Plant and Equipment required to be measured at fair value, Council Dwellings, Other Land & Buildings and Surplus Assets, undergoes revaluation at least every five years. Professionally qualified valuers (RICS: Royal Institute of Chartered Surveyors) carry out valuations of all property-based assets held by the Council. The net value of assets are:

| | Assets 31 March 2022 | **Assets 31 March 2023** | Carried at Historic Cost £000 | Valued at Fair Value as at: 31 March 2023 £000 | 31 March 2022 £000 | 31 March 2021 £000 | 31 March 2020 £000 | 31 March 2019 £000 | **Total Cost or Valuation £000** |
|---|---|---|---|---|---|---|---|---|---|
| **Council Dwellings** (Existing Use Value – Social Housing) | **5,873** | **5,960** | **6,402** | **183,158** | **-** | **-** | **-** | **-** | **189,560** |
| **Other Land & Buildings** | | | | | | | | | |
| Secondary Schools | 7 | **7** | 736 | 161,807 | - | - | - | - | 162,543 |
| Primary Schools | 36 | **36** | 2,509 | 96,584 | - | - | - | - | 99,093 |
| Sports Clubs/Facilities | 27 | **27** | 5 | 36,803 | 2,567 | - | - | - | 39,375 |
| Land | 126 | **126** | 918 | 8,899 | 36 | 25 | 45 | - | 9,923 |
| Car Parks | 50 | **50** | 1 | - | 27,161 | - | - | - | 27,162 |
| Community Campus | 1 | **1** | 6 | 15,805 | - | - | - | - | 15,811 |
| Council Offices | 33 | **33** | 1,851 | - | - | 14,233 | - | - | 16,085 |
| Community Centres / Halls | 22 | **22** | 2,065 | 13,946 | 1,827 | - | - | - | 17,838 |
| Industrial Premises | 76 | **72** | 370 | 3,327 | 142 | 6,707 | - | - | 10,546 |
| Art / Entertainment Venues | 2 | **2** | 145 | 13,258 | - | - | - | - | 13,403 |
| Hostels | 5 | **5** | 16 | 3,237 | - | - | 1,130 | - | 4,383 |
| Nursery Schools | 10 | **10** | 4,315 | 6,138 | - | - | - | - | 10,453 |
| Libraries | 15 | **15** | 438 | 2,688 | - | - | 810 | - | 3,936 |
| Other Buildings | 22 | **22** | 914 | 3,241 | 900 | - | 233 | - | 5,288 |
| Residential Care Homes | 0 | **0** | - | - | - | - | - | - | - |
| Shops | 34 | **34** | 9 | - | - | 3,026 | - | - | 3,034 |
| Depots | 3 | **3** | 33 | - | - | 2,550 | - | - | 2,583 |
| Garages/Pitches | 1202 | **1,201** | 8 | - | - | - | - | 2,696 | 2,704 |
| Day Care | 1 | **1** | - | 2,015 | - | - | - | - | 2,015 |
| T'port Facilities/Park & Ride | 3 | **3** | 9 | 1,473 | - | - | 184 | - | 1,666 |
| Fishing Rights | 3 | **3** | - | - | 381 | - | - | - | 381 |
| Special Education Properties | 2 | **2** | 13 | - | - | 1,145 | - | - | 1,158 |
| Public Conveniences | 18 | **18** | 270 | - | 1,182 | - | - | - | 1,452 |
| **Total OLB** | **1,698** | **1,693** | **14,630** | **369,222** | **34,196** | **27,685** | **2,402** | **2,696** | **450,831** |
| **Surplus Assets** | **27** | **29** | **-** | **-** | **7,398** | **-** | **-** | **-** | **7,398** |

**Value of Assets Held at Depreciated Historic Cost**

| | Carried at Historic Cost £000 |
|---|---|
| **Assets Under Construction** | 17,049 |
| **Community Assets** | |
| Cemeteries/Churchyards | 2,185 |
| Parks, Open Spaces, Play Areas | 4,250 |
| | 6,435 |

| | Carried at Historic Cost £000 |
|---|---|
| **Infrastructure Assets** | |
| Bridges | 12,129 |
| Cycle Routes/Footways | 10,475 |
| Roads | 106,628 |
| Lighting | 5,243 |
| | 134,475 |

| | Carried at Historic Cost £000 |
|---|---|
| **Vehicles, Plant & Equipment** | |
| Vehicles | 1,702 |
| Plant & Equipment | 34,949 |
| | 36,651 |

## 19. Long Term Debtors

The following table provides an analysis of long-term debtors balances payable to Stirling Council:

| 31 March 2022 | | | | | 31 March 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Police Debt £000 | Housing Loans £000 | National Housing Trusts £000 | Total Debtors £000 | | Police Debt £000 | Housing Loans £000 | National Housing Trusts £000 | Total Debtors £000 |
| **7,540** | **453** | **11,200** | **19,193** | **Balance b/fwd as at 1st April** | **7,431** | **418** | **9,199** | **17,048** |
| (109) | - | - | (109) | Police Debt Due to Loans Fund | (116) | - | - | (116) |
| - | (35) | - | (35) | House Loan Repayments | - | (62) | - | (62) |
| **-** | **-** | (2,001) | (2,001) | Other Loans & Repayments | **-** | **-** | 8 | 8 |
| **7,431** | **418** | **9,199** | **17,048** | **Balance c/fwd as at 31st March** | **7,315** | **356** | **9,207** | **16,878** |

## 20. Short Term Debtors

The following table provides an analysis of short-term debtors balances payable to Stirling Council:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Central Government Bodies | 1,017 | 3,647 |
| Other Local Authorities | 576 | 591 |
| NHS Bodies | 1,381 | 1,290 |
| Other Entities and Individuals | 19,695 | 16,615 |
| **Total** | **22,669** | **22,143** |

The above debtors figures represent the position after deducting the following bad debt provisions:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Council Tax | (6,584) | (6,774) |
| Council Tax Penalty Charges | (1,293) | (1,328) |
| Housing Rents | (1,531) | (1,550) |
| Sundry Debtors | (3,571) | (3,676) |
| Non Domestic Rates | (1,994) | (2,818) |
| Non Domestic Rates Penalty Charges | (233) | (320) |
| **Total** | **(15,206)** | **(16,466)** |

## 21. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values. Cash and cash equivalents include bank overdrafts as they are part of day to day cash management, and are therefore netted of against other cash in line with the Accounting Code of Practice.

Cash and cash equivalents held as at 31 March are as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Cash Held by Officers | 34 | 34 |
| Bank Current Accounts | (3,499) | 2,005 |
| Short Term Deposits | 13,300 | 10,208 |
| **Total Cash and Cash Equivalents** | **9,835** | **12,247** |

## 22. Short Term Creditors

The following table provides an analysis of short-term creditor balances payable by Stirling Council:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Central Government Bodies | (5,821) | (6,030) |
| Other Local Authorities | (1,109) | (552) |
| NHS Bodies | (1,556) | (4,576) |
| Other Entities and Individuals | (54,343) | (53,074) |
| **Total** | **(62,829)** | **(64,232)** |

## 23. Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) Contracts

PFI/PPP contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI/PPP contractor. The appropriate treatment of PFI/PPP contracts is based on control of an asset, such as specifying services and the price paid for these services.

Stirling Council is deemed to control the services that are provided under its PFI/PPP schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant & Equipment owned by Stirling Council. A liability is also carried on the Balance Sheet representing payments due for the financing of these assets. The Unitary Charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest and any capitalised lifecycle costs.

**Balfron High School PFI Contract**

In March 2000, Stirling Council entered into a PFI contract for the replacement of Balfron High School. The new school became operational in August 2001. Stirling Council makes annual payments under the Balfron High School PFI agreement to Balfron School Services Ltd, a wholly owned subsidiary of Bell Rock Topco Ltd, who operate the school on behalf of the Council. The Council made net Unitary Charge payments of £3.90m in 2022/23 (2021/22, £3.58m). Stirling Council also receives £1.59m of annual support grant from the Scottish Government as part funding for the project.

**Stirling Schools PPP Contract**

On 21st April 2006, Stirling Council concluded the Stirling Schools PPP Project Agreement with Stirling Gateway, a consortium established for the purpose of carrying out a major rebuilding programme covering five secondary schools within the area and a new community campus at Raploch. Construction commenced in May 2006 and was completed by August 2008. Stirling Council makes annual payments under the Stirling Schools PPP agreement to Stirling Gateway Ltd who operate the PPP schools on behalf of the Council. Education Services made net Unitary Charge payments of £13.94m in 2022/23 (2021/22, £12.93m). Stirling Council also receives £4.4m of annual support grant from the Scottish Government as part funding for the project.

Ownership of all schools will pass to Stirling Council when the Balfron and Stirling Schools' contracts terminate in 2026 and 2039 respectively.

**Payments**

Stirling Council makes agreed Unitary Charge payments each year, which are increased by inflation and reduced if the contractor fails to meet availability and performance standards. Payments still to be made under the PFI/PPP contracts at 31 March 2023 (excluding availability/performance deductions) are as follows:

| | Balfron High School PFI | | | | | Stirling Schools PPP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 |
| Payable in 2023/24** | 1,642 | 290 | 949 | 1,409 | **4,290** | 6,740 | 2,817 | 1,784 | 2,923 | **14,264** |
| Payable 2-5 years | 4,214 | 331 | 2,608 | 3,610 | **10,763** | 31,939 | 10,172 | 6,316 | 12,162 | **60,589** |
| Payable 6-10 years | - | - | - | - | **0** | 46,532 | 10,366 | 9,209 | 18,536 | **84,643** |
| Payable 11-15 years | - | - | - | - | **0** | 40,108 | 6,238 | 18,954 | 30,464 | **95,764** |
| Payable 16-20 years | - | - | - | - | **0** | 9,014 | 464 | 7,352 | 10,785 | **27,615** |
| **Total** | **5,856** | **621** | **3,557** | **5,019** | **15,053** | **134,333** | **30,057** | **43,615** | **74,870** | **282,875** |

**The figures in the above table assume a standard inflationary increase of 2.5% in line with the PFI/PPP financial models. However, estimated inflationary increase in 2023/24 for Balfron PFI is 7%, with Stirling PPP schools actual increase being 12.6%. The financial impact of the higher inflationary figures in 2023/24 over and above the 2.5% standard, i.e. 4.5% for Balfron PFI and 10.1% for Stirling Schools PPP, is £0.188m and £1.406m respectively, which in turn will increase the amounts payable in 2023/24 to £4.478m for Balfron PFI and £15.670m for Stirling PPP.

The outstanding liability to the contractor for capital expenditure incurred is as follows:

| 2021/22 | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| **Balfron PFI £000** | **Schools PPP £000** | **Total £000** | | **Balfron PFI £000** | **Schools PPP £000** | **Total £000** |
| (4,598) | (47,657) | **(52,255)** | Balance Outstanding Start of Year | (4,141) | (45,583) | **(49,724)** |
| 457 | 2,074 | **2,531** | Payments During the Year | 584 | 1,968 | **2,552** |
| **(4,141)** | **(45,583)** | **(49,724)** | **Balance Outstanding at Year-end** | **(3,557)** | **(43,615)** | **(47,172)** |

The balance outstanding at year end of £47.172m is split within the Balance Sheet between Finance Lease Liability of £44.439m and Short Term Creditors of £2.733m (total principal charge payable in 2023/24 of £0.949m + £1.784m).

## 24. Pension Costs

Stirling Council participates in two formal pension schemes: the Local Government Pension Scheme (LGPS) administered by Falkirk Council and the Teachers' Scheme administered by the Scottish Government. Both schemes provide defined benefits to members. However, the liabilities for the teachers' scheme cannot be identified specifically to Stirling Council, therefore the scheme is accounted for as if it were a defined contributions scheme - Stirling Council does not recognise assets or liabilities related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

**Teachers**

In 2022/23, Stirling Council paid £11.30m to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2021/22, £10.42m), representing an employer contribution rate of 23%. Stirling Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. In 2022/23 these amounted to £0.789m (2021/22, £0.798m). Accrued pension costs at 31 March 2023 amounted to £1.554m (31 March 2022, £0.873m).

**Local Government Pension Scheme (LGPS)**

In accordance with International Accounting Standard 19 (IAS19) Stirling Council is required to account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future. This involves the recognition in the Balance Sheet of Stirling Council's share of the net pension asset or liability in the LGPS together with a pension reserve. The CIES also recognises changes during the year in the pension asset or liability. Scottish Government regulations require the General Fund to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards, In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Stirling Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including Teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

The following elements of pension costs are charged to the CIES:

- Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period.
- Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods.
- Interest Expense - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.
- Expected Return on Assets (including interest income) - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

The following transactions have been made in the financial statements in accordance with IAS19:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Comprehensive Income and Expenditure Statement (CIES)** | | |
| • Current Service Cost | 41,764 | 40,871 |
| • Past Service Costs (including Curtailments) | 55 | - |
| • Interest Expense - Defined Benefit Obligation | 18,777 | 24,657 |
| • Interest Income - Scheme Assets | (12,290) | (18,879) |
| **Total Net Charges to the Surplus or Deficit on the Provision of Services** | **48,306** | **46,649** |
| Remeasurement of the net defined benefit liability comprising: | | |
| • Return on Plan Assets (excluding the amount included in the net interest expense) | (68,057) | 14,191 |
| • Actuarial (gains) and losses arising on changes in demographic assumptions | (7,189) | (6,645) |
| • Actuarial (gains) and losses arising on changes in financial assumptions | (61,900) | (347,654) |
| • Actuarial (gains) and losses arising from other experience | 185 | 43,562 |
| **Total Other Post-Employment Benefits Charged to the CIES** | **(136,961)** | **(296,546)** |
| **Total Post-Employment Benefits Charged to the CIES** | **(88,655)** | **(249,897)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services | (48,306) | (46,649) |
| Employer's Contributions Payable to Falkirk Pension Fund | 20,341 | 22,245 |

**Reconciliation of the Movements in the Fair Value of Pension Fund Assets and Liabilities Shown in the Balance Sheet**

| | Liabilities | | | Assets | |
|---|---|---|---|---|---|
| | 2021/22 £000 | 2022/23 £000 | | 2021/22 £000 | 2022/23 £000 |
| **Opening Balance at 1 April** | **(927,118)** | **(901,827)** | **Opening Balance at 1 April** | **613,235** | **696,940** |
| Current Service Cost | (41,764) | (40,871) | Return on Assets | 68,057 | (14,191) |
| Interest Cost | (18,777) | (24,657) | Interest Income | 12,290 | 18,879 |
| Contributions by Participants | (4,680) | (5,237) | Contributions by Participants | 4,680 | 5,237 |
| Actuarial Gain/(Loss) | 68,904 | 310,737 | Actuarial Gain/(Loss) | - | - |
| Benefits Paid | 21,663 | 21,910 | Benefits Paid | (21,663) | (21,910) |
| Past Service/Curtailment Costs | (55) | - | Employer Contributions | 20,341 | 22,245 |
| **Closing Balance at 31 March** | **(901,827)** | **(639,945)** | **Closing Balance at 31 March** | **696,940** | **707,200** |

**Basis for Estimating Assets and Liabilities**

***Pension Liabilities***

Pension liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds. Pension assets and liabilities included in Stirling Council's Balance Sheet are as follows:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Present Value of Pension Fund Liabilities* | (901,827) | (639,945) |
| Fair Value of Pension Fund Assets | 696,940 | 707,200 |
| **Net Pension Assets/(Liabilities) and Pension Reserve** | **(204,887)** | **67,255** |

*Unfunded liabilities included in the figure for present value of liabilities is £45,095m (2021/22, £56.535m).

Liabilities show the underlying commitments that Stirling Council has in the long run to pay post-employment (retirement) benefits. The total liability of £639.945m has a substantial impact on the net worth of Stirling Council as recorded in the Balance Sheet, resulting in a small positive overall balance of £67.255m. It should be noted that statutory arrangements for funding any overall deficit mean that the financial position of Stirling Council remains healthy.

Any deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The raising of finance to cover any discretionary benefits is only required when pensions are actually paid.

Stirling Council's share of the liabilities of the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. The LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries and the estimates are based on the latest full valuation of the Fund at 31 March 2020.

As at the date of the most recent full valuation, the duration of the Employer's funded obligations is 20 years. The other main assumptions used by the actuary are:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Long-Term Expected Rate of Return on Fund Assets:** | | |
| Equity Investments, Property, Bonds & Cash | 2.7% | 2.7% |
| **Mortality Assumptions:** | | |
| Longevity at 65 for Current Pensioners - Male | 20.4 years | 20.0 years |
| Longevity at 65 for Current Pensioners - Female | 23.0 years | 22.7 years |
| Longevity at 65 for Future Pensioners - Male | 21.6 years | 21.2 years |
| Longevity at 65 for Future Pensioners - Female | 25.0 years | 24.7 years |
| **Other Assumptions:** | | |
| Rate of Inflation / Rate of Increase in Pensions | 3.2% | 2.95% |
| Rate of Increase in Salaries | 3.8% | 3.55% |
| Rate for Discounting Fund Liabilities | 2.7% | 2.7% |

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

| Change in Assumptions at 31 March 2023 | Approx % Increase to Employer Liability | Approx Monetary Amount (£000) |
|---|---|---|
| 0.1% Decrease in Real Discount Rate | 2% | 11,518 |
| 1 year increase in member life expectancy | 4% | 25,598 |
| 0.1% Increase in the Salary Increase Rate | 0% | 1,009 |
| 0.1% Increase in the Pension Increase Rate (CPI) | 2% | 10,681 |

***McCloud Ruling***

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

In July 2020, following the UK Government consultation, the Falkirk Pension Fund's actuary adjusted the Government Actuary Department's estimate to better reflect the Council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement included in the 2018/19 financial statements as a past service cost was estimated at £2.4m. These numbers are a high level estimate based on a combination of scheme and fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. The estimated impact has been included in the net liability position as at 31 March 2023.

***Guaranteed Minimum Pension (GMP)***

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. The Pension Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability of £2.4m has been reflected in the annual accounts as a past service cost in 2019/20 and no further impact assessed at 31 March 2023.

***Goodwin Ruling***

There is still uncertainty surrounding the potential remedy to the Goodwin judgement, which is looking at implementing a solution to correct the past underpayment of spouses' benefits. The Pension Fund Actuary has carried out some approximate analysis across Local Government Pension Scheme clients to understand the potential impact of this remedy. The approximate impact is very small for a typical Pension Fund (c. 0.1% - 0.2% of Pension Fund liabilities), which for Stirling Council would equate to c. £0.9m - £1.8m. The Actuary therefore does not believe there are sufficient grounds to apply an additional adjustment to account for this in Pension Fund disclosures, given the level of additional work and fees that would be involved for the Council, and indeed the highly approximate nature of applying an unknown remedy.

***Pension Assets***

Pension assets attributable to Stirling Council are included in the Balance Sheet at their fair value, principally the bid price for quoted securities and estimated fair value for unquoted securities.

The following table shows the split of pension fund asset investments:

| | 31 March 2022 (£'000) | | | 31 March 2023 (£'000) | | |
|---|---|---|---|---|---|---|
| | Quoted Prices in Active Markets | Quoted Prices Not in Active Markets | Total Assets | Quoted Prices in Active Markets | Quoted Prices Not in Active Markets | Total Assets |
| Consumer | 42,557 | - | **42,557** | 43,184 | - | **43,184** |
| Manufacturing | 37,328 | - | **37,328** | 37,878 | - | **37,878** |
| Energy and Utilities | 24,273 | - | **24,273** | 24,631 | - | **24,631** |
| Financial Institutions | 50,690 | - | **50,690** | 51,436 | - | **51,436** |
| Health & Care | 22,807 | - | **22,807** | 23,143 | - | **23,143** |
| Information Technology | 56,474 | - | **56,474** | 57,305 | - | **57,305** |
| Other | 6,810 | - | **6,810** | 6,910 | - | **6,910** |
| UK Govt Securities | 28,531 | - | **28,531** | 28,951 | - | **28,951** |
| Other Securities | 13,004 | - | **13,004** | 13,194 | - | **13,194** |
| Private Equity | - | 8,395 | **8,395** | - | 8,519 | **8,519** |
| UK Property | - | 43,168 | **43,168** | - | 43,803 | **43,803** |
| Overseas Property | - | 58 | **58** | - | 59 | **59** |
| Equities | 179,935 | - | **179,935** | 182,583 | - | **182,583** |
| Bonds | 37,039 | - | **37,039** | 37,584 | - | **37,584** |
| Infrastructure | - | 75,789 | **75,789** | - | 76,905 | **76,905** |
| Other | 27,003 | 14,357 | **41,360** | 27,401 | 14,569 | **41,970** |
| Cash & Cash Equivalents | 28,722 | - | **28,722** | 29,145 | - | **29,145** |
| **Total Assets** | **555,173** | **141,767** | 696,940 | **563,345** | **143,855** | **707,200** |

As can be seen from the table above, the Falkirk Pension Fund invests in a wide range of active markets. A large proportion of the assets are invested in equities (61.6%) and bonds (28.1%), together with property (6.2%) and cash (4.1%). The comparative year's figures are 61.6%, 28.1%, 6.2% and 4.1% respectively.

**Impact on the Authority's Cash Flow**

The objectives of the Falkirk Pension Fund are to keep employers' contributions at as constant a rate as possible. Following the most recent triennial valuation as at 31 March 2020, employer's contributions were agreed at 22.5% for 2021/22 and 2022/23, increasing to 23.0% for 2023/24. The next triennial valuation is due on 31 March 2023. Total contributions expected to be made by Stirling Council to Falkirk Pension Fund in the year to 31 March 2024 is £19.832m.

**Principal Risks to the Pension Scheme**

The principal risks to the Scheme are the longevity assumptions, statutory changes to the Scheme, changes to inflation, bond yields and the performance of the investments held by the Scheme. The long-term funding strategy and the employer's contribution rates are reviewed triennially and take into account these factors to mitigate the risks.

## 25. Unusable Reserves

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| (335,023) | Capital Adjustment Account | (341,673) |
| (230,785) | Revaluation Reserve | (251,376) |
| 2,036 | Financial Instruments Adjustment Account | 1,956 |
| 10,041 | Employee Statutory Adjustment Account | 8,468 |
| 204,887 | Pensions Reserve | (67,255) |
| **(348,844)** | **Total Unusable Reserves** | **(649,880)** |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The following table shows the movement on the Capital Adjustment Account during the year:

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **(334,675)** | **Balance at 1 April** | | **(335,023)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 32,473 | • Charges for depreciation of non-current assets – PPE | 28,764 | |
| 18,504 | • Charges for revaluation decreases of non-current assets – PPE | 6,085 | |
| (15,161) | • Reversal of charges for revaluation decreases of non-current assets - PPE | (2,757) | |
| 692 | • Amortisation of intangible assets | 798 | |
| 4,716 | • PPE non-current assets written off on disposal or sale | 1,789 | |
| (4,298) | • PPE depreciation written off on disposal or sale | (1,419) | |
| 480 | • Investment assets written off on disposal or sale | - | |
| 51 | • AHFS non-current assets written off on disposal or sale | - | |
| 924 | • Intangible Assets written of on disposal or sale | 9 | |
| (921) | • Intangible Assets depreciation written off on disposal or sale | (9) | |
| **37,460** | | | **33,260** |
| (40) | Adjusting amounts to/(from) the Revaluation Reserve | | (23) |
| **37,420** | **Net written out amount of the cost of non-current assets consumed in the** | | **33,237** |
| | **Capital financing applied in the year:** | | |
| (11) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (846) | |
| (2,225) | • Application of grants to capital financing from Capital Grants Unapplied | (1,544) | |
| (17,871) | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | (27,308) | |
| 269 | • Capital grants and contributions moved to Capital Grants Unapplied | 922 | |
| (7,749) | • Statutory provision for the financing of capital investment charged against the General Fund and HRA Reserves | (4,129) | |
| (10,174) | • Capital expenditure charged against the General Fund and HRA Reserves | (6,929) | |
| **(37,761)** | | | **(39,834)** |
| (7) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (53) |
| **(335,023)** | **Balance at 31 March** | | **(341,673)** |

**Revaluation Reserve**

The Revaluation Reserve contains the unrealised gains made by Stirling Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. The following table shows the movement on the Revaluation Reserve during the year:

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **(199,321)** | **Balance at 1 April** | | **(230,785)** |
| (21,136) | Net revaluation (increases)/decreases - PPE Assets | (19,226) | |
| (82) | Net revaluation (increases)/decreases - Heritage Assets | 94 | |
| 85 | Net revaluation (increases)/decreases - Assets Held for Sale | - | |
| (12,302) | Depreciation written out to the Revaluation Reserve - PPE Assets | (8,864) | |
| **(33,435)** | **(Surplus)/Deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement** | | **(27,996)** |
| 1,931 | Difference between fair value depreciation and historical cost depreciation | | 7,382 |
| 40 | Amounts (to)/from Capital Adjustment Account | | 23 |
| **(230,785)** | **Balance at 31 March** | | **(251,376)** |

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments. Stirling Council uses the FIAA primarily to manage premiums paid on the early redemption of loans in line with the Treasury Management strategy. Over time the expense is posted to the General Fund balance in accordance with statutory arrangements to spread the burden on Council Tax. The following table shows the movement on the FIAA during the year:

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **2,116** | **Balance at 1 April** | | **2,036** |
| (80) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (80) | |
| (80) | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | (80) |
| **2,036** | **Balance at 31 March** | | **1,956** |

**Employee Statutory Adjustment Account**

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **8,404** | **Balance at 1 April** | | **10,041** |
| (8,404) | Settlement or cancellation of accrual made at the end of the preceding year | (10,041) | |
| 10,041 | Amounts accrued at the end of the current year | 8,468 | |
| 1,637 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | (1,573) |
| **10,041** | **Balance at 31 March** | | **8,468** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources Stirling Council has set aside to meet them. The statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **313,883** | **Balance at 1 April** | **204,887** |
| (68,057) | Return on Pension Assets | 14,191 |
| (7,189) | Actuarial (gains) / losses arising on changes in demographic assumptions | (6,645) |
| (61,900) | Actuarial (gains) / losses arising on changes in financial assumptions | (347,654) |
| 185 | Actuarial (gains) / losses arising from other experience | 43,562 |
| 48,306 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 46,649 |
| (20,341) | Employer's pensions contributions and direct payments to pensioners payable in the year | (22,245) |
| **204,887** | **Balance at 31 March** | **(67,255)** |

## 26. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, these elements are considered separately for classification. Assets acquired by Stirling Council under finance leases are shown in the Balance Sheet together with a liability to pay outstanding rentals. Rental payments are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Rental payments made by Stirling Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease. Where Stirling Council grants an operating lease to a lessee over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement with credits being made on a straight-line basis over the life of the lease.

**Council as Lessee**

*Operating Leases* - Stirling Council has a number of operational lease arrangements in respect of property and vehicles. Minimum lease payments payable under non-cancellable leases in future years are detailed below.

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Not later than one year | 641 | 755 |
| Later than one year and not later than five years | 688 | 2,186 |
| Later than five years | 4,555 | 4,407 |
| | **5,884** | **7,348** |

The large increase in anticipated minimum lease payments over the period one to five years in the table above is due to renewal of refuse collection vehicle leases.

The expenditure charged to relevant Services in the Comprehensive Income and Expenditure Statement during 2022/23 in relation to these lease payments was £0.774m (2021/22, £0.666m).

*Finance Leases* - During 2022/23, finance lease payments of £2.552m were made in respect of the Balfron PFI and Schools PPP contracts (2021/22, £2.531m) as outlined in note 22. There were no other finance lease payments.

**Council as Lessor**

*Operating Leases* - Stirling Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- For commercial purposes as a means of generating income

Minimum lease payments receivable under non-cancellable leases in future years are as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Not later than one year | (1,943) | (1,962) |
| Later than one year and not later than five years | (5,509) | (5,198) |
| Later than five years | (22,713) | (21,435) |
| | **(30,165)** | **(28,595)** |

Income credited to relevant Services during 2022/23 in relation to these lease receipts was £2.001m (2021/22, £2.257m). There were no finance lease rentals receivable by Stirling Council in 2021/22 or 2022/23.

## 27. Financial Instruments

**Financial Guarantees**

Stirling Council is a signatory to the Local Government Pension Scheme admission agreement for Thinkwhere Ltd and Active Stirling Ltd. The agreements require Stirling Council to make good any pension under-funding position in the event of the companies being wound up.

In order to facilitate the sale of Thinkwhere, Falkirk and Stirling Councils agreed to continue to act as guarantors in respect of the Thinkwhere pension liabilities. This means that at each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August last year) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or indeed any surplus will be shared 50/50 between Falkirk and Stirling and included in the overall funding assessment of the two Councils. In August, the Thinkwhere deficit on this basis amounted to c. £750k to be split in funding terms between Falkirk and Stirling. Had the guarantee not been in place, the deficit would have been calculated as £4.25m.

Active Stirling Ltd has elected not to account for its pension costs under FRS17 given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme with pension contributions charged to profit/loss in the period to which they relate. The Group Accounts incorporate the Council's share of the company's pension fund asset (under IAS19) which amounts to £4.2m. Further information on this can be found at note 1 to the Group Accounts.

**Financial Assets & Liabilities**

Financial assets are now classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets are classified at amortised cost on the basis that the Council's business model is to collect contractual cashflows and are solely principal and interest (SPPI). Financial assets measured at amortised cost are initially measured at fair value and then carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement.

Financial liabilities are initially measured at fair value and then carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument. For most of Stirling Council's borrowing, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued) interest, with interest charged to the CIES being the amount payable according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The following categories of Financial Assets and Liabilities are carried in the Balance Sheet:

| **Financial** | **Non-current** | | | | **Current** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **Investments** | | **Debtors** | | **Investments** | | **Debtors** | | **Total** |
| | **31 March** | | **31 March** | | **31 March** | | **31 March** | | **31 March** |
| | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2023** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Amortised Cost | - | - | - | - | - | - | 6,952 | 5,094 | **5,094** |
| **Total Financial Assets** | - | - | - | - | - | - | **6,952** | **5,094** | **5,094** |

*The reclassification of financial assets under IFRS 9 Financial Instruments was effective from 1 April 2018. Prior to this, the financial assets carried at amortised cost above were classified as financial assets carried at contract amounts. This reclassification has had no effect on the Balance Sheet or other financial statements.*

| **Financial** | **Non-current** | | | | **Current** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | **Borrowings** | | **Creditors** | | **Borrowings** | | **Creditors** | | **Total** |
| | **31 March** | | **31 March** | | **31 March** | | **31 March** | | **31 March** |
| | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2023** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Amortised Cost | 132,716 | 129,551 | 47,172 | 44,439 | 11,681 | 37,632 | 11,247 | 14,344 | 225,966 |
| **Total Financial Liabilities** | **132,716** | **129,551** | **47,172** | **44,439** | **11,681** | **37,632** | **11,247** | **14,344** | **225,966** |

**Expected Credit Loss Model**

The introduction of the Expected Credit Loss Model under IFRS 9 Financial Instruments requires financial assets to be reviewed for impairment losses to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. The model also applies to lease receivables and contract assets. Credit risk plays a crucial part in assessing losses: where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis; where risk remains low or has not significantly increased, losses are assessed on the basis of a 12-month expected loss.

The financial assets carried at amortised cost above represent trade receivables (debtors) held by the Council, the loss measurement for which is the simplified approach based on lifetime expected credit losses. The Council relies on past due information and calculates a bad debts provision based on trade receivables that are more than 30 days past due. The Council has reviewed all other contractual cashflows and has determined that there is no significant increase in credit risk, no significant impairments or no impairment due to counterparties being Central Government of other local authority. The Council considers that due diligence is exercised through the compilation of the Investment Strategy in the Treasury Management Financial Strategy in which the Council sets its investment priorities as the security of capital, the liquidity of its investments and the minimisation of risk.

**Income, Expenses, Gains & Losses**

There were no gains or losses arising from financial instruments during the year. Income and expenses associated with financial instruments and included in the (Surplus)/Deficit on the Provision of Services are detailed below:

| 2021/22 | | | 2022/23 | |
|---|---|---|---|---|
| **Financial Liabilities Amortised Cost £000** | **Total £000** | | **Financial Liabilities Amortised Cost £000** | **Total £000** |
| 6,959 | **6,959** | Interest & Expense | 6,979 | **6,979** |
| 6,606 | **6,606** | Schools PFI/PPP Interest Charges | 7,163 | **7,163** |
| **13,565** | **13,565** | **Total** | **14,142** | **14,142** |

**Fair Value of Assets and Liabilities**

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised costs are carried on the Balance Sheet at amortised cost. The fair value of financial assets and liabilities is required to be disclosed to enable a comparison to the carrying amounts in the Balance Sheet. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasising that fair value is a market-based measurement, not an authority specific measurement. Fair value does not need to be disclosed when the carrying amount is a reasonable approximation of fair value.

***Fair Value of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)***

Financial liabilities and financial assets represented by amortised cost are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2: inputs other than quoted prices that are observable for the financial asset/liability), using the following assumptions:

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Fair value disclosures are not required for short-term trade payables and receivables as the carrying amount is a reasonable approximation fair value.
- For PWLB loans, fair value has been estimated at the cost of taking out a new loan at PWLB new loan (certainty) rates applicable to existing loans at the Balance Sheet date.
- For non-PWLB loans, fair values have been calculated using PWLB new market loan discount rates.
- For PFI/PPP Liabilities, PWLB Annuity Rates have been used as a proxy rate and fair values estimated using new borrowing (certainty rate) discount rates.
- No early repayment or impairment is recognised.

The fair value of financial liabilities are as follows:

| 31 March 2022 Carrying Amount £000 | 31 March 2022 Fair Value New Borrowing Rate £000 | | 31 March 2023 Carrying Amount £000 | 31 March 2023 Fair Value New Borrowing Rate £000 |
|---|---|---|---|---|
| (126,629) | (175,164) | PWLB Loans | (124,329) | (125,029) |
| (9,764) | (11,426) | Non-PWLB Loans | (9,664) | (8,123) |
| (8,003) | (8,000) | Temporary Borrowing | (33,190) | (33,190) |
| **(144,396)** | **(195,590)** | **Total Debt** | **(167,183)** | **(166,342)** |
| (49,724) | (67,952) | PFI/PPP Finance Lease Liability | (47,172) | (55,280) |
| **(194,120)** | **(262,542)** | **Total Financial Liabilities** | **(214,355)** | **(221,622)** |

The fair value is greater than the carrying amount because Stirling Council's borrowing portfolio includes a number of fixed rate loans where the interest rate payable is higher than the comparable loan interest rates at the Balance Sheet date. The difference between the fair value and the carrying value thereby reflects the premiums that would be payable on the early redemption of these fixed rate loans, under a purely hypothetical situation, thereby showing a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

Stirling Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The fair value figure presented above for PWLB loans is based on new borrowing rates however, the Council cannot settle these loans at this amount as PWLB charge penalties for early repayment, based on a schedule of premature repayment rates. The fair value calculated on this basis results in the carrying amount of £124.329m being valued at £125.029m which represents the amount that would need to be paid to PWLB to settle these loans at 31 March 2023 i.e. a penalty charge for early redemption of £0.700m.

## 28. Nature and Extent of Risks Arising from Financial Instruments

Stirling Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to Stirling Council
- Re-financing risk - the possibility that Stirling Council might be required to renew a financial instrument on maturity on disadvantageous interest rates or terms.
- Liquidity risk - the possibility that Stirling Council might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for Stirling Council as a result of changes in such measures as interest rates and stock market movements.

Stirling Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under polices approved by Stirling Council in the annual Treasury Management Financial Strategy. Stirling Council provides written principles for overall risk management, as well as written policies covering specific areas, such are interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Financial Strategy 2022/23 was approved on 3 March 2022 and is available on Stirling Council's website (Stirling Council Committee Papers for 3 March 2022).

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Stirling Council's customers. This risk is minimised through the Treasury Management Financial Strategy (Annual Investment Strategy and Counterparty Policy) which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria and sets maximum monetary and time limits for deposits with financial institutions. For 2022/23, Stirling Council determined that until there was greater stability in the world economy, deposits would only be undertaken with UK financial institutions, with priority given to those with a significant level of government support.

Stirling Council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of an institution failing to make interest payments or repay principal sums will be specific to each individual institution. A risk of irrecoverability applies to all of Stirling Council's deposits but there was no evidence at 31 March 2023 that this was likely to crystallise. Stirling Council's levels of deposits were held only with UK government backed institutions, and limits were increased on a temporary basis throughout the year to accommodate the cashflows associated with various COVID specific grant income and payments. At 31 March 2023, deposits of £10.2m held with the Debt Management Office and the Royal Bank of Scotland were classed as cash and cash equivalents, being invested only for operational cash flow purposes.

Stirling Council does not generally allow credit for its customers (sundry debtors), such that £3.336m of the £5.094m sundry debtor balance is past its due date for payment. This amount can be analysed by age as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Less than 30 days | 941 | 683 |
| 31 – 60 days | 152 | 408 |
| 61 – 90 days | 82 | 85 |
| More than 90 days | 2,503 | 2,160 |
| | **3,678** | **3,336** |

**Re-financing Risk**

The longer term risk to Stirling Council relates to managing the exposure to replacing financial instruments as they mature: there is a refinancing risk that Stirling Council will be bound to replenish a significant proportion of its debt at a time when market rates may be volatile, uncertain or unfavourable. This risk is addressed in the treasury management strategy and formulation of prudential indicators: the calculation of upper and lower limits regarding the maturity structure of borrowings is designed to avoid large concentrations of debt with the same maturity structure. The maturity profile of financial liabilities is regularly reviewed to identify opportunities to improve the profile through the restructure of existing debt or new borrowing. Stirling Council's debt portfolio is predominantly PWLB debt and the current practice of a separate schedule of early repayment rates presents a further element of refinancing risk as this will have an impact of the cost effectiveness of debt rescheduling.

The maturity analysis of financial liabilities (principal amounts including accrued interest) is as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Less than one year | (11,681) | (37,631) |
| Between 1 and 2 years | (3,165) | (4,201) |
| Between 2 and 5 years | (19,689) | (18,755) |
| Between 5 and 10 years | (9,609) | (6,768) |
| Between 10 and 20 years | (13,181) | (13,436) |
| Between 20 and 30 years | (2,163) | (1,484) |
| Between 30 and 40 years | (59,909) | (64,908) |
| Between 40 and 50 years | (25,000) | (20,000) |
| | **(144,397)** | **(167,183)** |

All trade and other payables are due to be paid in less than one year and are not included in the above table. Temporary Borrowing of £33.0m is included in amounts maturing in less than one year (£8.0m as at 31 March 2022).

**Liquidity Risk**

Stirling Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, Stirling Council has ready access to borrowings from the money markets and the Public Works Loan Board. Stirling Council is also required to provide a balanced budget under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

**Market Risk**

Stirling Council is exposed to interest rate movements on its borrowings and investments. As Stirling Council's debt portfolio predominantly comprises fixed rate debt, there is considerable certainty regarding the costs of financing such debt and the subsequent charge to the Comprehensive Income and Expenditure Statement (CIES). Movements in interest rates have a complex impact on Stirling Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue reserves)
- Investments at variable rates – the interest income credited to the CIES will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue reserves)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Stirling Council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together Stirling Council's prudential and treasury indicators and its expected treasury operations, including expectations of interest rate movements. Treasury Management staff monitor market and forecast interest rates during the year to adjust exposures appropriately.

At 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect on the Surplus or Deficit on Provision of Services would have been a credit of £0.040m, of which £0.015m relates to HRA. The decrease in the fair value of fixed rate borrowing liabilities using new borrowing rates would be £19.435m. The impact of a 1% fall in interest rates would be the same values but with the movements being reversed.

## 29. Related Parties

Stirling Council is required to disclose material transactions with related parties, being bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure allows readers to assess the extent to which Stirling Council might have been constrained in its ability to operate independently, or might have secured the means to limit another party's ability to bargain freely with the Council.

**The Scottish Government**

The Scottish Government has significant influence over the general operations of Stirling Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of Stirling Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are set out in note 11.

**Officers and Elected Members**

There are no significant related party transactions with Officers of Stirling Council. Elected members of Stirling Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in the Remuneration Report. Each member's registered interests can be found at the following link by clicking on their photograph - https://my.stirling.gov.uk/councillors.

**Entities Controlled or Significantly Influenced by the Council**

Stirling Council has relationships with a number of Companies, Associations, Trusts, Joint Committees and Voluntary Organisations. All of these associations facilitate the discharge of Stirling Council's functions in terms of Section 69 of the Local Government (Scotland) Act 1973. Where Stirling Council has a controlling and/or significant influence over an entity, the entity is consolidated within the Council's Group Accounts. Further information relating to these entities is included in the notes to the Group Accounts.

There were no significant transactions with organisations associated with Board Members.

The following table shows significant transactions between Stirling Council and relevant associated entities.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Contributions made to Clackmannanshire and Stirling Integration Joint Board | 41,122 | 48,017 |
| Commissioning income received from Clackmannanshire and Stirling Integration Joint Board | (42,447) | (47,817) |
| Requisition payment made to Central Scotland Valuation Joint Board | 988 | 1,006 |
| Management fee paid to Active Stirling Ltd ** | 2,998 | 2,867 |

** The Management fee actually paid to Active Stirling Ltd in 2022/23 comprised the contractual fee of £1.267m and additional financial support of £1.600m to help mitigate the loss of income suffered by the charitable trust as a result of the COVID pandemic. The £1.600m financial support payments comprised £0.822m carried over from 2021/22 and £0.778m relating to 2022/23. The total financial support package for 2022/23 was agreed at £1.406m, and the remaining balance of £0.628m will be paid over as required in 2023/24.

# Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| 2021/22 | | 2022/23 |
|---|---|---|
| £'000 | | £'000 |
| | **Income** | |
| (19,883) | Dwelling Rents | (20,537) |
| (415) | Non-dwelling Rents | (429) |
| (56) | HRA Share of Corporate and Democratic Core | (57) |
| (2,496) | Other Income | (2,536) |
| **(22,850)** | **Total Income** | **(23,559)** |
| | **Expenditure** | |
| 7,213 | Repairs and Maintenance | 10,003 |
| 5,330 | Supervision and Management | 5,389 |
| 9,833 | Depreciation and Impairment of Non-Current Assets | 8,888 |
| 214 | HRA Share of Corporate and Democratic Core | 214 |
| 241 | Increase in the Allowance for Bad Debts/Debt Write-offs | 208 |
| 305 | Other Expenditure | 313 |
| **23,136** | **Total Expenditure** | **25,015** |
| **286** | **Net Deficit on HRA Services Included in the Comprehensive Income and Expenditure Statement** | **1,456** |
| | **HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:** | |
| (6) | (Gain)/Loss on Sale of HRA Non-Current Assets | (27) |
| 2,306 | Interest Payable and Similar Charges | 3,219 |
| (6,179) | Capital Grants & Contributions Applied to Capital Financing | (8,313) |
| (14) | Interest and Investment Income | (64) |
| 2 | Pension Past Service Costs (including Curtailments) | - |
| 202 | Net Interest Cost/Income on Pension Liabilities/Assets | 461 |
| **(3,403)** | **Surplus for the Year on HRA Services** | **(3,268)** |

**Movement on the Housing Revenue Account Statement**

| 2021/22 | | Notes | 2022/23 |
|---|---|---|---|
| £'000 | | | £'000 |
| (986) | Balance on the HRA at the End of the Previous Year | | (986) |
| (3,403) | Surplus for the Year on HRA Income and Expenditure Statement | | (3,268) |
| 3,442 | Adjustments Between Accounting Basis and Funding Basis Under Statute | 1 | 3,367 |
| (39) | Adjustments to Useable Reserves Permitted by Accounting Standards | 2 | (99) |
| - | (Increase)/Decrease in Year on the HRA | | - |
| **(986)** | **Balance on the HRA at the End of the Current Year** | | **(986)** |

**Housing Revenue Account Disclosures**

**1. Adjustments between Accounting Basis and Funding Basis under Statute**

| 2021/22 | | 2022/23 |
|---|---|---|
| £'000 | | £'000 |
| 6 | Gain on Sale of HRA Non-current Assets | 27 |
| 6,179 | Capital Grants & Contributions Applied to Capital Financing | 8,313 |
| (18) | Amortisation of intangible assets | (8) |
| (3,935) | Non-current asset revaluation decreases to CIES | (2,247) |
| (5,841) | Non-current asset depreciation charged to CIES | (6,534) |
| (1,504) | Reversal of items relating to retirement benefits | (3,721) |
| 545 | Employer's pensions contributions | 1,547 |
| 1,958 | Repayment of Debt | 753 |
| 6,053 | Capital Expenditure Funded by the HRA | 5,252 |
| (1) | Transfer to/from Employee Statutory Adjustment Account | (15) |
| **3,442** | **Total** | **3,367** |

**2. Adjustments to Useable Reserves Permitted by Accounting Standards**

| 2021/22 | | 2022/23 |
|---|---|---|
| £'000 | | £'000 |
| (39) | Difference between fair value and historic cost depreciation | (99) |
| **(39)** | **Total** | **(99)** |

**3. Housing Stock**

Stirling Council's housing stock at 31 March 2023 was 5,960 (5,873 at 31 March 2022) in the following categories:

| Property Type | 1 Apt | 2 Apt | 3 Apt | 4 Apt | 5 Apt | 6 Apt+ | Total |
|---|---|---|---|---|---|---|---|
| Bedsit | 22 | - | - | - | - | - | **22** |
| Flat in Close | 605 | 670 | 144 | 1 | - | - | **1,420** |
| Own Door Flat | 407 | 473 | 189 | 72 | - | - | **1,141** |
| Maisonette | - | 70 | 15 | 1 | - | - | **86** |
| Bungalow | 321 | 54 | 26 | 2 | 1 | - | **404** |
| Mid Terrace | 18 | 467 | 458 | 21 | 2 | - | **966** |
| End Terrace/Semi | 28 | 763 | 948 | 166 | 3 | 1 | **1,909** |
| Detached | - | 3 | 3 | 3 | 2 | 1 | **12** |
| | **1,401** | **2,500** | **1,783** | **266** | **8** | **2** | **5,960** |

**4. Rent Arrears**

Rent arrears relating to current tenants in Council dwellings and lockups totalled £1.273m as at 31 March 2023 (£1.352m as at 31 March 2022). Rent arrears relating to former tenants in Council dwellings and lockups totalled £0.948m as at 31 March 2023 (£0.888m as at 31 March 2022). Arrears of £0.186m were written off during the year, which mainly related to former housing tenants.

**5. Movement in the Allowance for Bad Debts**

An accumulated total provision of £1.550m has been made for Bad and Doubtful Debts, of which £1.517m is for dwellings and lockups, with the balance of £0.033m relating to other debtors. This is compared to a total of £1.531m in 2021/22, of which £1.491m was for dwellings and lockups with the balance of £0.040m relating to other debtors.

**6. Rent Lost Due To Empty Properties**

Rent lost as a result of empty properties during the year was £0.487m (2021/22, £0.405m).

# Council Tax Income Account

The council tax income account shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority. The Council raises taxes from its residents through the Council Tax, which is a property tax linked to property values. Each dwelling in the Stirling Council area is placed into one of eight valuation bands (A to H). The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less and higher valued properties (D to F) paying more. Properties can be exempt from Council Tax if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| (67,238) | Gross Council Tax Levied and Contributions in Lieu | (69,868) |
| | Adjusted for: | |
| 4,414 | Council Tax Reduction Scheme | 4,505 |
| 9,390 | Other Discounts and Reductions | 9.851 |
| 410 | Write-off of uncollectable debts and allowance for impairment | 401 |
| **(53,024)** | **Net Council Tax Income per the Comprehensive Income and Expenditure Statement** | **(55,111)** |

**Calculation of the Council Tax Base 2022/23**

| | No of Dwellings | Long Term Empty Premium | Exempt Dwellings | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|---|---|---|---|---|---|---|---|---|---|
| Band A* | - | - | - | 13 | - | - | **13** | 5/9 | **7** |
| Band A | 5,991 | 30 | (727) | 17 | (716) | (18) | **4,577** | 6/9 | **3,051** |
| Band B | 8,782 | 71 | (648) | (4) | (957) | (20) | **7,224** | 7/9 | **5,619** |
| Band C | 4,686 | 55 | (533) | 8 | (489) | (11) | **3,716** | 8/9 | **3,303** |
| Band D | 5,081 | 44 | (381) | 24 | (505) | (11) | **4,252** | 1 | **4,252** |
| Band E | 6,603 | 34 | (298) | (16) | (491) | (10) | **5,822** | 473/360 | **7,650** |
| Band F | 5,420 | 17 | (156) | 6 | (292) | (6) | **4,989** | 585/360 | **8,107** |
| Band G | 5,506 | 14 | (92) | (41) | (227) | (6) | **5,154** | 705/360 | **10,093** |
| Band H | 745 | 2 | (22) | (7) | (21) | (1) | **696** | 882/360 | **1,705** |

| | |
|---|---|
| **Total** | **43,787** |
| Class 17 dwellings (MoD) | 14 |
| Provision for non-collection | (810) |
| Council Tax Reduction Scheme | (3,311) |
| **Council Tax Base** | **39,680** |

Band A* refers to properties subject to disabled relief

Dwellings fall within a valuation band between A to H, which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Stirling Council, the band D charge for 2022/23 was £1,384.58 (2021/22, £1,344.28).

Stirling Council charges per band for 2022/23:

| | | | |
|---|---|---|---|
| Band A | £923.05 | Band E | £1,819.18 |
| Band B | £1,076.90 | Band F | £2,249.94 |
| Band C | £1,230.74 | Band G | £2,711.47 |
| Band D | £1,384.58 | Band H | £3,392.22 |

**Council Tax Discount on Second Homes and Long-Term Empty Properties**

From 1 April 2013, local authorities were granted discretion to levy an additional charge of up to 100% of the Council Tax on properties that were empty in excess of 12 months, except in certain circumstances. Stirling Council introduced the full 100% levy from 1 July 2014. The additional income generated from the additional charge has to be retained locally for the provision of new-build affordable social housing to meet locally determined priorities.

# Non-Domestic Rates Income Account

Local authorities collect Non-Domestic Rates (NDR) income which is remitted to the Scottish Government, pooled nationally and re-distributed back to local authorities along with the General Revenue Grant. As local authorities act as an agent of the Scottish Government when collecting NDR, the Code requires that local authorities only recognise a net NDR creditor or debtor due to or from the Scottish Government in the Balance Sheet. The table below outlines the actual levels of NDR collected by Stirling Council and the overall increase/decrease between the rates collected and the amount that Stirling Council is entitled to receive under the National Pooling arrangement.

| Restated 2021/22 £000 | Restated 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|---|
| | (60,679) | Gross rates levied and contributions in lieu | | (62,177) |
| 30,053 | | Reliefs and other deductions | 17,636 | |
| 615 | | Provision for bad and doubtful debts | 897 | |
| (19) | | Other adjustments | 3 | |
| | 30,649 | | | 18,536 |
| | **(30,030)** | **Net Non-Domestic Rate Income** | | **(43,641)** |
| | 3,193 | Adjustment to Previous Years Non Domestic Rates | | 628 |
| | (164) | Discretionary Relief charged to General Fund | | (167) |
| | **(27,001)** | **Income for Contribution to National Non-Domestic Rate Pool** | | **(43,180)** |
| 27,001 | | Contribution to National Non-Domestic Rate Pool | 43,180 | |
| (27,158) | | Distribution from National Non-Domestic Rate Pool | (35,942) | |
| | (157) | Net Contribution to/(from) National Non-Domestic Rate Pool | | 7,238 |
| | **(27,158)** | **Net Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement** | | **(35,942)** |

**Net Rateable Value Calculation**

The amount paid for NDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NDR poundage rate set by the Scottish Government for 2022/23 was 49.8p (2021/22, 49.0p). Properties with a rateable value greater than £51,000 are charged a supplement of 1.3p per £, with properties with a rateable value greater than £95,000 being charged a supplement of 2.6p per £. Properties with a rateable value of £18,000 or less may be eligible for Small Business Bonus relief.

The rateable values and numbers of rateable subjects as at 1 April 2022 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,398 | 54.39% | 69,882 | 56.66% |
| Industrial | 1,046 | 16.74% | 16,470 | 13.36% |
| Miscellaneous | 1,717 | 27.49% | 29,416 | 23.85% |
| Formula Valued Subjects | 86 | 1.38% | 7,554 | 6.13% |
| | **6,247** | **100.00%** | **123,322** | **100.00%** |

The comparative rateable values and numbers of rateable subjects as at 1 April 2021 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,390 | 54.77% | 70,094 | 56.61% |
| Industrial | 1,029 | 16.63% | 16,256 | 13.13% |
| Miscellaneous | 1,686 | 27.24% | 29,348 | 23.71% |
| Formula Valued Subjects | 84 | 1.36% | 8,113 | 6.55% |
| | **6,189** | **100.00%** | **123,811** | **100.00%** |

# Common Good Funds

Stirling Council administers the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds. The respective Common Good Funds must be used for the benefit of the communities of each area. The Scottish Charity Regulator (OSCR) has notified Stirling Council that as of 31 March 2023, each of the Common Good Funds will be removed from the Scottish Charity Register as they no longer meet the charity test in terms of section 30(1)(b) of the 2005 Act.

Common Good Funds do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, but are included in Stirling Council's Group Accounts.

The following tables show the income and expenditure of the Common Good Funds for the year to 31 March 2023, together with the net assets of the Common Good Funds as at 31 March 2023.

**Income and Expenditure Statement for the Year Ended 31 March 2023**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 2022/23 Total | 2021/22 Total |
|---|---|---|---|---|---|---|
| Interest from Stirling Council Loans Fund | (20,156) | (11,900) | (211) | (1,055) | (33,322) | (1,007) |
| Rents and Service Charges | (15,933) | - | - | - | (15,933) | (15,909) |
| **Total Income** | **(36,089)** | **(11,900)** | **(211)** | **(1,055)** | **(49,255)** | **(16,916)** |
| Smith Art Gallery Grant | 7,000 | - | - | - | 7,000 | 7,000 |
| Depreciation of Property | 2,567 | - | - | - | 2,567 | 2,567 |
| Upkeep of Property | 3,821 | - | - | - | 3,821 | 1,117 |
| Grant Payment | - | 4,189 | - | - | 4,189 | - |
| **Total Expenditure** | **13,388** | **4,189** | **-** | **-** | **17,577** | **10,684** |
| **Net Movement in Funds** | **(22,701)** | **(7,711)** | **(211)** | **(1,055)** | **(31,678)** | **(6,232)** |
| **Reconciliation of Funds** | | | | | | |
| Net Movement in Funds | (22,701) | (7,711) | (211) | (1,055) | (31,678) | (6,232) |
| Total Funds Brought Forward | (824,880) | (416,271) | (7,314) | (36,655) | (1,285,120) | (1,278,888) |
| **Total Funds Carried Forward** | **(847,581)** | **(423,982)** | **(7,525)** | **(37,710)** | **(1,316,798)** | **(1,285,120)** |

**Balance Sheet as at 31 March 2023**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 31 March 2023 Total | 31 March 2022 Total |
|---|---|---|---|---|---|---|
| **Property, Plant & Equipment** | | | | | | |
| Land & Buildings | 132,301 | - | - | - | 132,301 | 134,868 |
| Community Assets | - | - | - | 1 | 1 | 1 |
| **Total Property, Plant & Equipment** | **132,301** | **-** | **-** | **1** | **132,302** | **134,869** |
| **Current Assets** | | | | | | |
| Debtors and Prepayments | 1,291 | - | - | - | 1,291 | 1,291 |
| Cash & Cash Equivalents | 727,989 | 423,982 | 7,525 | 37,709 | 1,197,205 | 1,155,960 |
| **Total Current Assets** | **729,280** | **423,982** | **7,525** | **37,709** | **1,198,496** | **1,157,251** |
| **Current Liabilities** | | | | | | |
| Creditors falling due within 1 Year | (14,000) | - | - | - | (14,000) | (7,000) |
| **Total Current Liabilities** | **(14,000)** | **-** | **-** | **-** | **(14,000)** | **(7,000)** |
| **Total Net Assets** | **847,581** | **423,982** | **7,525** | **37,710** | **1,316,798** | **1,285,120** |
| **Reserves** | | | | | | |
| Revaluation Reserve | (38,158) | - | - | - | (38,158) | (38,158) |
| Usable Reserves | (809,423) | (423,982) | (7,525) | (37,710) | (1,278,640) | (1,246,962) |
| **Total Reserves** | **(847,581)** | **(423,982)** | **(7,525)** | **(37,710)** | **(1,316,798)** | **(1,285,120)** |

Property, Plant & Equipment comprises the Steeple building, King Street, Stirling and Laighills Park, Dunblane.
Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

# Trust Funds

Stirling Council currently administers 11 Charitable Trusts which have arisen mainly as a result of gifts, bequests or donations to be used for the benefit of citizens within the Stirling Council area.

The Council is currently conducting a review of the smaller charitable trusts which it administers with the objective of either reorganising these into fewer charities, or transferring the reserves held to external charitable organisations who may be better placed to meet the purposes for which the trusts were originally established.

Reserves held in the Charitable Trusts have been consolidated within Stirling Council's Group Accounts in accordance with required accounting practice. Detailed accounts of each Charitable Trust are submitted to the Scottish Charity Regulator on an annual basis and are available from the Chief Officer Finance, Stirling Council.

The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Charitable Trusts at the year end.

**Statement of Financial Activities for the year ended 31 March 2023**

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Incoming Resources from Generated Funds** | |
| - | Investment Income | (5) |
| **-** | **Total Incoming Resources** | **(5)** |
| | | |
| | **Resources Expended - Charitable Activities** | |
| 1 | Repairs/Energy/Upkeep of Grounds | 1 |
| **1** | **Total Resources Expended** | **1** |
| | | |
| | **Net Movement In Funds** | **(4)** |
| (190) | Total Funds B/fwd | (189) |
| **(189)** | **Total Funds C/fwd** | **(193)** |

**Balance Sheet as at 31 March 2023**

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| 355 | Property, Plant & Equipment | 450 |
| **355** | **Long Term Assets** | **450** |
| | | |
| 189 | Cash & Cash Equivalents | 193 |
| **189** | **Current Assets** | **193** |
| | | |
| **544** | **Net Assets** | **643** |
| | | |
| (355) | Revaluation Reserve | (450) |
| (189) | Usable Reserves | (193) |
| **(544)** | **Total Reserves** | **(643)** |

Property, Plant & Equipment comprises the Village Club building, Strathblane. Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

Stirling Council also administers 15 Other Trusts. Funds held in these Trusts do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, nor are they included in Stirling Council's Group Accounts. Other Trust Fund revenue reserves held as at 31 March 2023 are as follows:

| | | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|---|
| Welfare Bequests (2 Trusts) | Provision of poor relief and amenity improvements | (9) | (8) |
| Education Bequests (7 Trusts) | Provision of school prizes | (37) | (34) |
| Social Services Funds (6 Trusts) | Residential homes donations and care related activities | (29) | (27) |
| **Total Other Trusts** | | **(75)** | **(69)** |

# Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of Stirling Council with Stirling Council's share of the operating results of those entities in which it has a financial interest.

| Restated 2021/22 Gross Spend £000 | Restated 2021/22 Gross Income £000 | Restated 2021/22 Net Spend £000 | | Note | 2022/23 Gross Spend £000 | 2022/23 Gross Income £000 | 2022/23 Net Spend £000 |
|---|---|---|---|---|---|---|---|
| 523 | (72) | 451 | Chief Executive Office | | 461 | (29) | 432 |
| 8,400 | (4,950) | 3,450 | Housing | | 8,603 | (4,854) | 3,749 |
| 19,952 | (3,121) | 16,831 | People & Community Wellbeing | | 19,795 | (4,625) | 15,170 |
| 11,819 | (1,332) | 10,487 | Customer Service and Performance | | 14,138 | (1,948) | 12,190 |
| 14,672 | (2,266) | 12,406 | Children & Families | | 15,787 | (2,738) | 13,049 |
| 131,720 | (19,173) | 112,547 | Schools & Learning | | 141,362 | (19,341) | 122,021 |
| 7,364 | - | 7,364 | Balfron PFI & Schools PPP | | 8,129 | - | 8,129 |
| 37,295 | (5,863) | 31,432 | Environment and Place | | 36,071 | (4,454) | 31,617 |
| 22,467 | (5,991) | 16,476 | Infrastructure | | 26,840 | (5,904) | 20,936 |
| 527 | (159) | 368 | City Region Deal | | 598 | (146) | 452 |
| 12,222 | (7,733) | 4,489 | Economic Development & Culture | | 14,353 | (7,342) | 7,011 |
| 20,961 | (16,220) | 4,741 | Finance | | 20,626 | (15,576) | 5,050 |
| 3,845 | (1,009) | 2,836 | Governance | | 3,910 | (734) | 3,176 |
| 107,362 | (62,305) | 45,057 | Clackmannanshire and Stirling Health & Social Care Partnership | | 119,211 | (67,739) | 51,472 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | | 1,006 | - | 1,006 |
| 8,709 | (2,816) | 5,893 | Other Operating (Income) & Expenditure | | 13,445 | (8,793) | 4,652 |
| 12 | (16) | (4) | Share of Operating Results of Common Good & Charitable Trusts | | 19 | (16) | 3 |
| - | (3,382) | (3,382) | Net Operating Expenditure/(Income) from Associates, Joint Ventures and Joint Operations | | 1,382 | - | 1,382 |
| **408,838** | **(136,408)** | **272,430** | **Net Cost Of General Services** | | **445,736** | **(144,239)** | **301,497** |
| 23,136 | (22,850) | 286 | Housing Revenue Account | | 25,015 | (23,559) | 1,456 |
| **431,974** | **(159,258)** | **272,716** | **Net Cost of Services** | | **470,751** | **(167,798)** | **302,953** |
| 508 | - | 508 | Other Operating Expenditure | | (703) | - | (703) |
| 20,866 | (791) | 20,075 | Financing & Investment (Income)/Expenditure | | 21,454 | (48) | 21,406 |
| - | (261,788) | (261,788) | Taxation and Non-Specific Grant Income | | - | (279,801) | (279,801) |
| 53 | - | 53 | Tax Expenses | | 49 | - | 49 |
| 1 | - | 1 | Minority Interests | | - | - | - |
| **453,402** | **(421,837)** | **31,565** | **(Surplus)/Deficit on Provision of Services** | 5 | **491,551** | **(447,647)** | **43,904** |
| | | (33,435) | (Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Stirling Council) | | | | (27,996) |
| | | (1,453) | Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Group Entities) | | | | (96) |
| | | (136,961) | Remeasurements of the Net Pension Liability (Stirling Council) | | | | (296,546) |
| | | (5,497) | Remeasurements of the Net Pension Liability (Group Entities) | | | | (12,761) |
| | | **(177,346)** | **Other Comprehensive (Income)/Expenditure** | MIRS | | | **(337,399)** |
| | | **(145,781)** | **Total Comprehensive (Income)/Expenditure** | MIRS | | | **(293,495)** |

# Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by Stirling Council, together with the movement in Stirling Council's share of those entities in which it has a financial interest.

| | Note | Stirling Council Usable Reserves £000 | Group Entities Usable Reserves £000 | **Total Group Usable Reserves £000** | Stirling Council Unusable Reserves £000 | Group Entities Unusable Reserves £000 | **Total Group Unusable Reserves £000** | **Total Group Reserves £000** |
|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1 April 2021** | | **(53,641)** | **(7,248)** | **(60,889)** | **(209,593)** | **11,546** | **(198,047)** | **(258,936)** |
| **Movement in Reserves 2021/22** | | | | | | | | |
| Restatement to Opening Balances b/fwd from 2020/21 | | - | (246) | **(246)** | - | (512) | **(512)** | **(758)** |
| **Restated Balance b/fwd at 1 April 2021** | | **(53,641)** | **(7,494)** | **(61,135)** | **(209,593)** | **11,034** | **(198,559)** | **(259,694)** |
| (Surplus)/deficit on provision of services | CIES | 33,503 | (1,938) | **31,565** | - | - | **-** | **31,565** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (170,396) | (6,950) | **(177,346)** | **(177,346)** |
| **Total Comprehensive Expenditure/(Income)** | CIES | **33,503** | **(1,938)** | **31,565** | **(170,396)** | **(6,951)** | **(177,346)** | **(145,781)** |
| Adjustments to useable reserves permitted by accounting standards | | (1,931) | - | **(1,931)** | 1,931 | - | **1,931** | **-** |
| Adjustments between accounting basis & funding basis under regulations | | (29,214) | (3,407) | **(32,621)** | 29,214 | 3,407 | **32,621** | **-** |
| **(Increase)/Decrease in 2021/22** | | **2,358** | **(5,345)** | **(2,987)** | **(139,251)** | **(3,543)** | **(142,794)** | **(145,781)** |
| **Balance at 31 March 2022** | 5 | **(51,283)** | **(12,839)** | **(64,122)** | **(348,844)** | **7,491** | **(341,353)** | **(405,475)** |
| **Movement in Reserves 2022/23** | | | | | | | | |
| Restatement to Opening Balances b/fwd from 2021/22 | | - | - | **-** | - | (3,707) | **(3,707)** | **(3,707)** |
| **Restated Balance b/fwd at 1 April 2022** | | **(51,283)** | **(12,839)** | **(64,122)** | **(348,844)** | **(3,784)** | **(345,060)** | **(409,182)** |
| (Surplus)/deficit on provision of services | CIES | 39,193 | 4,711 | **43,904** | - | - | **-** | **43,904** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (324,542) | (12,857) | **(337,399)** | **(337,939)** |
| **Total Comprehensive Expenditure/(Income)** | CIES | **39,193** | **4,711** | **43,904** | **(324,542)** | **(12,857)** | **(337,399)** | **(293,495)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,382) | - | **(7,382)** | 7,382 | - | **7,382** | **0** |
| Adjustments between accounting basis & funding basis under regulations | | (16,124) | (4,968) | **(21,092)** | 16,124 | 4,968 | **21,092** | **0** |
| **(Increase)/Decrease in 2022/23** | | **15,687** | **(257)** | **15,430** | **(301,036)** | **(7,889)** | **(308,925)** | **(293,495)** |
| **Balance at 31 March 2023** | 5 | **(35,596)** | **(13,096)** | **(48,692)** | **(649,880)** | **(4,105)** | **(653,985)** | **(702,677)** |

The Restatement to Opening Balances b/fwd from 2020/21 figure of £0.758m reflects the impact of Stirling Council's disposal of its investment in Thinkwhere Ltd during 2021/22.

The Restatement to Opening Balances b/fwd from 2021/22 figure of £3.707m reflects the impact of a financial restructuring of Stirling Development Agency Ltd during 2022/23, whereby shareholders approved the recapitalisation of the company through conversion of existing shareholder loans to equity.

# Group Balance Sheet

The Group Balance Sheet shows as at 31 March the assets and liabilities of the Group and combines Stirling Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

| Restated 31 March 2022 £000 | | Note | 31 March 2023 £000 |
|---|---|---|---|
| 3,110 | Intangible Assets | | 2,472 |
| 824,005 | Property, Plant & Equipment | | 858,356 |
| 1,512 | Heritage Assets | | 1,418 |
| 1,183 | Investment Property | | 1,236 |
| 63 | Long Term Investments | | 34 |
| 7,153 | Investments in Associates and Joint Ventures | 4 | 7,925 |
| 4,524 | Long Term Debtors | | 7,671 |
| - | Long Term Asset (Pension) | | 71,465 |
| **841,550** | **Long Term Assets** | | **950,577** |
| 578 | Inventories | | 845 |
| 23,926 | Short Term Debtors | | 22,864 |
| 430 | Short Term Investments | | - |
| 285 | Assets Held for Sale | | - |
| 13,987 | Cash and Cash Equivalents | | 16,485 |
| **39,206** | **Current Assets** | | **40,194** |
| (11,681) | Short Term Borrowing | | (37,631) |
| (65,908) | Short Term Creditors | | (66,824) |
| (1,323) | Short Term Provisions | | (1,382) |
| **(78,912)** | **Current Liabilities** | | **(105,837)** |
| (132,716) | Long Term Borrowing | | (129,552) |
| (47,172) | Finance Lease Liability | | (44,439) |
| (2,232) | Capital Grants Receipts in Advance | | (2,487) |
| (1,281) | Revenue Grants Receipts in Advance | | (1,678) |
| (266) | Long Term Creditors | | (3,582) |
| (1,671) | Liabilities of Associates and Joint Ventures | 4 | (495) |
| (211,007) | Other Long Term Liability - Pensions | | - |
| **(396,345)** | **Long Term Liabilities** | | **(182,233)** |
| **405,499** | **Net Assets** | | **702,701** |
| (348,844) | Stirling Council Unusable Reserves | MIRS | (649,880) |
| (51,283) | Stirling Council Usable Reserves | MIRS | (35,596) |
| (5,348) | Group Entities' Reserves | MIRS,2,5 | (17,201) |
| **(405,475)** | **Total Group Reserves** | MIRS,2 | **(702,677)** |
| (24) | Minority Interests | | (24) |
| **(405,499)** | **Total Reserves** | | **(702,701)** |

The unaudited accounts were issued on 8 June 2023.

Kirsty Stanners
Chief Officer Finance

# Group Cash Flow Statement

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of Stirling Council and those entities in which it has a financial interest.

| **Restated 2021/22** | | **2021/22 £000** |
|---|---|---|
| 31,565 | Net Deficit on the Provision of Services | 43,904 |
| 1,865 | Adjust for entities included in the net deficit on the provision of services that are excluded from the group cash flow statement (Associates and Joint Ventures) | (4,359) |
| (83,386) | Adjust net deficit on the provision of services for non-cash movements | (69,853) |
| 18,427 | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | 21,145 |
| **(31,529)** | **Net Cash Inflows from Operating Activities** | **(9,163)** |
| 57,737 | Purchase of property, plant and equipment, investment property and intangible assets | 49,174 |
| (396) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,075) |
| (30,248) | Other receipts from investing activities | (28,708) |
| **27,093** | **Net Cash Outflows from Investing Activities** | **19,391** |
| (16,110) | Cash receipts of short and long-term borrowing | (41,115) |
| 28,764 | Cash repayments of short and long-term borrowing | 18,599 |
| 2,531 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 2,552 |
| (160) | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | 7,238 |
| **15,025** | **Net Cash (In)/Outflows from Financing Activities** | **(12,726)** |
| **10,589** | **Net (Increase)/Decrease in Cash and Cash Equivalents** | **(2,498)** |
| 24,576 | Group cash and cash equivalents at the beginning of the reporting period | 13,987 |
| **13,987** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **16,485** |

The impact of adding Subsidiary Companies, Charitable Trusts and the Stirling, Callander and Bridge of Allan Common Good Funds to the Stirling Council single entity results within the Group Cash Flow Statement is to increase the Cash & Cash Equivalents at the end of the reporting period by £4.238m (2021/22 £4.152m).

| | | |
|---|---|---|
| 9,835 | Cash and Cash Equivalents at the End of the Reporting Period – Stirling Council | 12,247 |
| 4,152 | Cash and Cash Equivalents at the End of the Reporting Period – Group Entities | 4,238 |
| **13,987** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **16,485** |

# Notes to the Group Financial Statements

## 1. Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with Stirling Council's accounting policies. Stirling Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

Stirling Council has accounted for its interest in each Subsidiary using the acquisition method of accounting. Stirling Council's interest in each Associate has been accounted for using the equity method of accounting. With regard to the Central Scotland Valuation Joint Board, Stirling Council's interest reflects the requisition share paid by Stirling Council. Stirling Council has accounted for its interest in each Joint Venture using the gross equity method of accounting. Uniform accounting policies have been adopted by all group entities with the exception of the basis for accounting for pension fund costs under FRS17/IAS19.

Active Stirling Ltd has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme. As at 31 March 2023 and in respect of their pensions obligations held in the Falkirk Council Pension Fund only, the value of the Defined Benefit Obligation of Active Stirling Ltd was £13.6m (2021/22, £23.2m) and the Fair Value of Plan Assets was £17.8m (2021/22, £17.1m). The Net Asset was therefore £4.2m (2021/22, Net Liability £6.1m) with Stirling Council's share as sole member represented by these sums. These figures have been calculated using the same assumptions and methodology underlying the provision of Stirling Council's pension obligations. Stirling Council has accounted for the Active Stirling Ltd pension liability and corresponding pension reserve in the Group Balance Sheet, together with relevant adjustments in the Group Comprehensive Income and Expenditure Statement.

**Combining Entities**

Recognition has been made of Stirling Council's controlling interest in six Subsidiary companies. Active Stirling Ltd is treated as a subsidiary on account of it being a Charitable Leisure Trust over which Stirling Council is the sole member. Raploch URC Ltd and Stirling Community Enterprise Ltd (formerly Raploch URC (Landholdings) Ltd) have also been consolidated as Subsidiaries as Stirling Council is the sole Member on the Board of Directors and therefore has effective control. Stirling Council also has effective control over the Stirling, Callander, Bridge of Allan and Dunblane Common Good Funds and a number of Charitable Trusts, which it administers as sole trustee and, as such, these are also treated as Subsidiaries in the Group Accounts. Stirling Council also consolidates its interests in one Associate and three Joint Ventures. The Accounting period end for all entities is the 31 March 2023. Copies of the most recent audited accounts of the combining entities are available from the Chief Officer Finance, Stirling Council. The % share of each combining entity's financial results (after taking account of Minority Interests) is as follows:

| | Basis for Consolidation Treatment | Group Share 2021/22 % | Net Exp/(Inc) 2021/22 £000 | Net Assets/ (Liabilities) 2021/22 £000 | Group Share 2022/23 % | Net Exp/(Inc) 2022/23 £000 | Net Assets/ (Liabilities) 2022/23 £000 |
|---|---|---|---|---|---|---|---|
| ***Subsidiaries*** | | | | | | | |
| Active Stirling Ltd | Sole Member | 100% | (2,652) | (6,107) | 100% | (10,330) | 4,223 |
| Raploch URC Ltd | Sole Member | 100% | (46) | 1,366 | 100% | 303 | 1,347 |
| Stirling Community Enterprise Ltd | Sole Member | 100% | (78) | 126 | 100% | 58 | (122) |
| Steadfast Homes LLP | Voting Rights | 100% | (1,437) | 1,526 | 100% | 233 | 1294 |
| Stirling Business Centre Ltd | Voting Rights | 91.45% | (6) | 246 | 91.45% | 4 | 242 |
| Stirling Technology Projects Ltd | Sole Member | 100% | 30 | 879 | 100% | 51 | 828 |
| Common Good Funds | Sole Trustee | 100% | (6) | 1,285 | 100% | (32) | 1,317 |
| Charitable Trust Funds | Sole Trustee | 100% | 20 | 544 | 100% | (99) | 643 |
| ***Associates*** | | | | | | | |
| Central Scotland Valuation Joint Board | Requisition | 35.4% | (1,217) | (1,671) | 35.4% | (1,176) | (495) |
| ***Joint Ventures*** | | | | | | | |
| Stirling Development Agency Ltd | Voting Rights | 50% | - | - | 50% | 1,453 | 2,160 |
| Stirling University Innovation Park Ltd | Voting Rights | 50% | 13 | 92 | 50% | 9 | 83 |
| Clackmannanshire and Stirling IJB | Voting Rights | 25% | (3,509) | 7,062 | 25% | 1,380 | 5,681 |
| **Total Consolidated Group Entities** | | | **(8,888)** | **5,348** | | **(8,146)** | **17,201** |
| **Stirling Council** | | | **(136,893)** | **400,127** | | **(285,349)** | **685,476** |
| **Group Financial Statements** | | | **(145,781)** | **405,475** | | **(293,495)** | **702,677** |
| Total Consolidated Group Entities (as above) | | | | 5,348 | | | 17,201 |
| Minority Interests | | | | (24) | | | (24) |
| **Group Entities' Reserves** | | | | **5,324** | | | **17,177** |

**Subsidiaries**

***Active Stirling Limited***

Since 31 March 2006, Active Stirling Ltd, being a company limited by guarantee and having charitable status, has operated and managed Stirling Council's sport and leisure facilities including leisure centres, pavilions and sports pitches in accordance to a service level agreement with Stirling Council. The main venue is the Stirling Sports Village and Peak Facility at Forthbank. The land and buildings operated and managed by Active Stirling remain in Stirling Council's ownership.

***Raploch Urban Regeneration Company Ltd***

The principal activity of the company is the promotion for the public benefit of urban regeneration in areas of social and economic deprivation, in particular within the area of Raploch, Stirling. The company is limited by guarantee and has been granted tax exemption status as a charity by the Inland Revenue. The company has one wholly owned subsidiary, Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd).

***Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd)***

Stirling Community Enterprise Ltd is a wholly owned subsidiary of Raploch Urban Regeneration Company Ltd. The Board revisited the company's objectives as part of a 10 year business planning exercise and agreed that the main focus of the company would transfer to social and economic rather than physical regeneration, with a strong emphasis on the provision of education and skills training to support clients towards and into the workplace.

As part of this arrangement, the company transferred the vast majority of its landholdings to Stirling Council, leaving one site in development and another potential development site at the planning stage. To reflect the nature of the company's business it was decided that the company should change its name, effective from 22 January 2018.

***Steadfast Homes LLP***

Steadfast Homes LLP ("Steadfast") is a limited liability partnership, originally constituted between Stirling Council and the Scottish Futures Trust (SFT), supported by the Scottish Government as guarantor, to deliver Mid-Market rent properties within the local authority area. Stirling Council also had a similar arrangement under Stirling Waterfront NHT 2011 LLP ("Waterfront") whereby the intention was that this LLP would only remain in existence for a period of up to 10 years, as the properties held would be sold by this point.

The original governance documents for both Steadfast and Waterfront always envisaged an exit by SFT and during 2021/22 this exit was implemented by the parties. This involved the re-financing of existing borrowing by Steadfast and the transfer of assets held by Waterfront to Steadfast, and the subsequent winding up of Waterfront. As a LLP, corporate law requires a minimum of 2 members therefore, it was agreed that the rights and obligations held by SFT would be transferred to a new company, Strevelin Homes Ltd.

On completion of the above transactions, the Council's mid-market rent portfolio is now held in Steadfast Homes LLP, which is ultimately controlled by the Council.

***Strevelin Homes Ltd***

Stevelin Homes Ltd is a dormant limited company, established to preserve the LLP status of Steadfast Homes LLP. It is a sole member company, with full shares held by the Council. Whilst it would be classed as a subsidiary, there is no expectation of it holding any assets, or incurring any income or expenditure.

***Stirling Business Centre Limited***

The company's principal activity is to promote and encourage industrial and commercial activity and enterprise in Stirling district and to make available accommodation for letting. Stirling Council has entered into a lease with the company of the Stirling Business Centre at Wellgreen Road, Stirling and of Enterprise House at Springkerse Business Park, Stirling.

***Stirling Technology Projects Limited***

The company was formed for the single purpose of providing an extension to the building occupied by BioReliance Ltd at Stirling University Innovation Park and thereafter leasing the whole building to BioReliance Ltd. BioReliance Ltd took entry to the building provided by the company in May 1999 at which point the company began to trade. Stirling Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31 March 2023 the sum guaranteed was £0.266m (31 March 2022, £0.466m).

**Associates**

***Central Scotland Valuation Joint Board***

Central Scotland Valuation Joint Board is the statutory body responsible for maintaining the electoral, council tax and non-domestic rate registers for Stirling, Falkirk and Clackmannanshire Councils.

**Joint Ventures**

***Stirling Development Agency Ltd***

This is a joint venture company whose principal activity is the development and refurbishment of commercial, industrial and residential properties. The company was formed in March 2008 as a result of the restructuring of City of Stirling Business Parks (Investments) Limited. During 2022/23, shareholders approved the recapitalisation of the company through conversion of shareholder loans to equity.

***Stirling University Innovation Park Ltd***

The principal activity of the company is the development, promotion, marketing, use and management of Stirling University Innovation Park.

***Clackmannanshire and Stirling Integration Joint Board***

Clackmannanshire and Stirling Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Clackmannanshire Council, Stirling Council and NHS Forth Valley. The contribution provided by Stirling Council to the IJB in 2022/23 was £48.0m, of which £47.2m was funded from General Fund and £0.8m from Housing Revenue Account. The comparative 2021/22 figures were a contribution of £41.1m, of which £40.3m was funded from General Fund and £0.8m from Housing Revenue Account. The IJB Board comprises twelve voting members with three (25%) made up of Stirling Council Elected Members.

## 2. Non-Consolidation Interests in Other Entities

The principal activity of **Stirling Enterprise Park Ltd**, is to promote and encourage industrial and commercial activity and enterprise and to make available accommodation for letting.

Stirling Council holds the majority of equity capital in Stirling Enterprise Park Ltd, but under normal practices it does not control the majority of voting rights, nor does it have the right to appoint the majority of the governing board. However, in the event of a poll being demanded at a Board meeting, Stirling Council would have ultimate control being the major shareholder, as it is entitled to one vote for each share held, in accordance with the Company's Articles of Association. Under these circumstances it would have been appropriate to account for Stirling Enterprise Park Ltd as a Subsidiary within the group accounts of Stirling Council. However, the reason for exclusion from consolidation is that Stirling Council has neither access to future economic benefits, nor access to benefits in the form of service potential through its interest in Stirling Enterprise Park Ltd.

In accordance with the Memorandum of Association of Stirling Enterprise Park Ltd, Stirling Council does not have the power to extract distributions of assets from the Company. Also, in accordance with the Company's Articles of Association, although Stirling Council has the power to dissolve the Company, it does not however have power to obtain a significant level of the residual economic benefits and is not exposed to the risks inherent in those benefits.

Stirling Council also has an interest in **McLaren Community Leisure Centre (Trading) Ltd**, which operates the McLaren Leisure Centre in Callander. However, due to the immaterial nature of Stirling Council's participation and the fact that it is unable to exert a significant influence over the entity, the decision has been taken not to consolidate.

## 3. Financial Results of Associates and Joint Ventures

The aggregate amounts of assets, liabilities, gross income and surplus or deficit for the year of Stirling Council's Associates and Joint Ventures are shown in the following table.

| 31 March 2022 | | | 31 March 2023 | |
|---|---|---|---|---|
| **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** | | **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** |
| **£000** | **£000** | | **£000** | **£000** |
| 465 | 225 | Non-Current Assets | 409 | 199 |
| 29,510 | 7,530 | Current Assets | 29,132 | 8,728 |
| (869) | (360) | Liabilities Due In One Year | (1,664) | (765) |
| (19) | (10) | Liabilities Due After One Year | (17) | (8) |
| (5,376) | (1,903) | Pension Liabilities | (2,047) | (724) |
| **23,711** | **5,482** | **Net Assets/(Liabilities)** | **25,813** | **7,430** |
| **(201,895)** | **(50,622)** | **Gross Income (Turnover)** | **(204,735)** | **(52,732)** |
| (13,508) | (3,318) | (Surplus)/Deficit on Provision of Services | 6,061 | 1,560 |
| (3,939) | (1,395) | Other Comprehensive (Income)/Expenditure | (3,939) | (1,394) |
| **(17,447)** | **(4,713)** | **Total Comprehensive (Income)/Expenditure** | **2,122** | **166** |

The 'Stirling Council share of 'Net Assets/( Liabilities)' figure shown above represent the sum of two figures disclosed in the Group Balance Sheet: 'Investment in Associates and Joint Ventures' and 'Liabilities of Associates and Joint Ventures' as follows:

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| **£000** | | **£000** |
| 7,153 | Investment in Associates and Joint Ventures | 7,925 |
| (1,671) | Liabilities of Associates and Joint Ventures | (495) |
| **5,482** | | **(7,430)** |

The Pension Liabilities figures outlined above can be broken down between individual entities as follows:

| 31 March 2022 | | | 31 March 2023 | |
|---|---|---|---|---|
| **Aggregate of Associates & JVs Results £000** | **Stirling Council Share £000** | | **Aggregate of Associates & JV's Results £000** | **Stirling Council Share £000** |
| (5,376) | (1,903) | Central Scotland Valuation Joint Board | (2,047) | (724) |
| **(11,736)** | **(4,155)** | **Pension Liabilities** | **(2,047)** | **(724)** |

## 4. Financial Impact of Group Consolidation

The effect of including the group entities on the Group Comprehensive Income and Expenditure Statement is to increase the Deficit on Provision of Services by £4.711m (2021/22, reduce deficit by £1.938m) as follows:

| | **2021/22 £000** | **2022/23 £000** |
|---|---|---|
| Fees, Charges & Other Service Income | (5,161) | (5,572) |
| Net Operating Income from Associates and Joint Ventures | (3,382) | - |
| Interest and Investment Income | (2) | (44) |
| **Total Income** | **(8,545)** | **(5,616)** |
| | | |
| Service Expenses | 6,535 | 7,254 |
| Interest Payments | 8 | 13 |
| Net Operating Expenditure from Associates and Joint Ventures | - | 1,382 |
| Net Non-Operating Expenditure from Associates and Joint Ventures | 64 | 1,678 |
| **Total Expenditure** | **6,607** | **10,327** |
| **(Surplus)/Deficit on the Provision of Services (Group Entities)** | **(1,938)** | **4,711** |
| **(Surplus)/Deficit on the Provision of Services (Stirling Council)** | **33,503** | **39,193** |
| **(Surplus)/Deficit on the Provision of Services (Group CIES)** | **31,565** | **43,904** |

The effect of including the group entities on the Group Balance Sheet is to increase both Reserves and Net Assets (excluding minority interests) by £17.201m (increase by £5.348m, 2021/22) as follows:

| **31 March 2022 £000** | | **31 March 2023 £000** |
|---|---|---|
| | **Unusable Reserves** | |
| (146) | Capital Adjustment Account | (138) |
| (393) | Revaluation Reserve | (489) |
| 8,023 | Pension Reserve | (3,485) |
| 7 | Employee Statutory Adjustment Account (Employee Benefits) | 7 |
| **7,491** | **Group Entities' Unusable Reserves** | **(4,105)** |
| | | |
| | **Usable Reserves** | |
| (12,839) | Revenue Reserves | (13,096) |
| **(12,839)** | **Group Entities' Usable Reserves** | **(13,096)** |
| | | |
| **(5,348)** | **Total Group Entities' Reserves** | **(17,201)** |

# Glossary of Terms

While much of the terminology used in this document is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

**1. Accounting Period**
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

**2. Actuarial Gains and Losses (Pensions)**
Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

**3. Asset**
An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset will provide benefit to Stirling Council and to the Services it provides for a period of more than one year.

**4. Associate**
An entity in which Stirling Council has a participating interest or over whose operating and financial policies Stirling Council is able to exercise significant influence.

**5. Capital Adjustment Account**
The Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

**6. Capital Expenditure**
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**7. Capital Financing**
The various methods used to finance capital expenditure such as borrowing, leasing, capital receipts, capital grants and use of revenue funding.

**8. Capital Grants Unapplied Account**
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which Stirling Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

**9. Capital Receipt**
Proceeds from the disposal of land or other non-current assets.

**10. Capital Receipts Reserve**
The Capital Receipts Reserve represents the proceeds from non-current asset disposals not yet used and are available to meet future capital investment.

**11. Community Assets**
Assets that Stirling Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, such as municipal parks.

**12. Corporate and Democratic Core**
The Corporate and Democratic Core comprises all activities, which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are therefore over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

**13. Creditor**
Amounts owed by Stirling Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**14. Current Service Cost (Pensions)**
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

**15. Debtor**
Amount owed to Stirling Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**16. Defined Benefit Pension Scheme**
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**17. Depreciation**
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of Stirling Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**18. Discretionary Benefits (Pensions)**
Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under Stirling Council's discretionary powers.

**19. Employee Statutory Adjustment Account**
The Employee Statutory Adjustment Account, which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

**20. Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

**21. Events after the Balance Sheet Date**
Those events both favourable and unfavourable that occur between the Balance Sheet date and the date when the Annual Accounts are signed.

**22. Fair Value**
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**23. Financial Instruments Adjustment Account**
The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by Stirling Council.

**24. Finance Lease**
A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**25. Government Grants**
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of Stirling Council. These grants may be specific to a particular scheme or may support the revenue or capital spend of Stirling Council in general.

**26. Gross Expenditure**
This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.

**27. Gross Income**
This includes grant income and all charges to individuals and organisations for the direct use of Stirling Council's services.

**28. Heritage Asset**
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**29. Impairment**
A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**30. Infrastructure Assets**
Assets belonging to Stirling Council represented by highways, footpaths and bridges.

**31. Insurance Fund**
The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes.

**32. Interest Cost (Pensions)**
For a defined benefit scheme, the expected increase during the period of the scheme liabilities because the benefits are one period closer to settlement.

**33. Inventories**
Items of raw materials and stock Stirling Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**34. Joint Venture**
An entity in which Stirling Council has an interest on a long-term basis and is jointly controlled by Stirling Council and one or more entities under a contractual or other binding agreement.

**35. Liability**
A liability is where Stirling Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**36. National Non-Domestic Rates Pool**
All Non Domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

**37. Net Book Value**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**38. Non-Current Assets**
These are created by capital expenditure incurred by Stirling Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

**39. Non-Distributed Costs**
Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in

accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.

**40. Operating Lease**
A lease where the ownership of a non-current asset remains with the lessor.

**41. Past Service Cost (Pensions)**
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**42. Pension Reserve**
The Pension Reserve arises from the AIS19 accounting disclosures for retirement benefits and recognises Stirling Council's share of actuarial gains and losses in the Falkirk Pension Fund and the change in Stirling Council's share of the Pension Fund net liability chargeable to the Comprehensive Income and Expenditure Statement.

**43. Pension Scheme Liabilities**
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method" reflect the benefits that the employer is committed to provide for service up to the valuation date.

**44. Post-Employment Benefits**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

**45. Prior Year Adjustment**
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**46. Provision**
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**47. Public Works Loan Board (PWLB)**
A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself.

**48. Rateable Value**
The annual assumed rental of a non-housing property, which is for national Non Domestic Rates purposes.

**49. Related Parties**
Entities or individuals that have the potential to control or influence Stirling Council, or to be controlled or influenced by Stirling Council.

**50. Remuneration**
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**51. Repairs and Renewal Fund**
The Repairs and Renewal Fund provides for major repairs to the Waste Transfer Station at Lower Polmaise and Stirling Council's sports facilities.

**52. Reserves**
The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of Stirling Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**53. Residual Value**
The net realisable value of an asset at the end of its useful life.

**54. Revaluation Reserve**
The Revaluation Reserve represents the store of gains on revaluation of non current assets not yet realised through sales.

**55. Revenue Expenditure**
The day-to-day running costs associated with the provision of services.

**56. Significant Interest**
The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy and/or operational decisions.

**57. Soft Loan**
A loan made by Stirling Council to another entity at an interest rate significantly below market interest rates.

**58. Subsidiary**
An entity over which Stirling Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

**Stirling Council**

Agenda Item No. 15

Audit Committee

Date of Meeting: 8 June 2023

Not Exempt

# Draft Accounts for Charitable Trusts 2022/23

## Purpose

The purpose of this report is to ask Audit Committee to consider the draft accounts for the Council's Charitable Trusts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation and the Council's Financial Regulations, the Audit Committee has responsibility for approving the audited Accounts for each financial year, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

## Recommendations

Audit Committee is asked to:

1. consider the draft accounts of the Council's Charitable Trusts prior to their submission to the external auditor; and
2. note that the Stirling Council Common Good Funds are no longer considered charities under the applicable legislation, and no longer require separate financial statements to be prepared for audit purposes.

## Resource Implications

The proposed audit fee for the 2022/23 audit of the charitable trust accounts administered by Stirling Council has still to be confirmed by our new external auditor, Deloitte LLP (2021/22: £1,367).

## Legal & Risk Implications

The Office of the Scottish Charity Regulator (OSCR) has indicated that the Common Good Funds are no longer considered charities under the applicable legislation, and as such the Council can deregister these funds as registered charities.

A review of the legal position taken by OSCR in respect of the ongoing charitable status of the Common Good Funds has been undertaken. The findings align with OSCR's position, meaning that the funds cannot continue to hold charitable status.

This removes an administrative requirement on the Council and removes the risk of any action against the Council for non-compliance with applicable charity legislation requirements.

In terms of the Council's Scheme of Delegation and the Council's Financial Regulations, the Audit Committee has responsibility for approving the audited Accounts for each financial year, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

## 1. Background

1.1. The draft Charitable Trusts Accounts for the year to 31 March 2023 have been prepared for audit. The draft accounts require to be submitted to the appointed auditor no later than 30 June 2023, and that Elected Members must consider the unaudited accounts at a meeting to be held no later than 31 August 2023.

1.2. The Office of the Scottish Charity Regulator (OSCR) previously indicated that as from 31 March 2023, the Common Good Funds will no longer be considered as charities under the applicable legislation, and there is no requirement to prepare and submit to OSCR a separate set of Common Good Fund accounts for the year ending 31 March 2023.

1.3. Work continues on the review of small charitable trusts and this report provides information on progress made to date.

1.4. Electronic copies of the draft accounts will be emailed to all Members and also placed on the public website.

## 2. Considerations

2.1 Stirling Council is responsible for administering the Dunblane Cemetery Memorial Garden (Maintenance) Trust, and a further 10 small Charitable Trusts. Each of the Charitable Trust Funds is registered as a charity with the Scottish Charity Regulator.

2.2 Charities are connected if they have common or related purposes, or shared management. Stirling Council acts as sole Trustee to 10 individual small charitable trusts. On the basis of this shared management arrangement, the financial results of the 10 individual small charitable trusts can be consolidated into a single set of accounts for audit purposes, which in turn significantly reduces audit costs.

2.3 Total balances held by the Charitable Trusts as at 31 March 2023 are as follows:

| | **£'000** |
|---|---|
| Stirling Council Small Charitable Trusts | 56 |
| Dunblane Cemetery Memorial Garden (Maintenance) Trust | 137 |
| **Total Charitable Trusts** | **193** |

2.4 The draft accounts of both the Stirling Council Small Charitable Trusts and the Dunblane Cemetery Memorial Garden (Maintenance) Trust are appended to this report.

**Common Good Funds Registered as Charities**

2.5 Stirling Council is responsible for administering the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds.

2.6 OSCR has advised that, in its judgement, the Common Good Funds do not meet the charity test on two grounds:

2.6.1 First, they are not 'bodies' as required by section 7 of the Charities and Trustee Investment (Scotland) Act 2005 (the "2005 Act"). Although common good property is held in trust by Scottish local authorities, this arrangement does not involve the creation of a trust or any other form of body that is separate in identity from the administering local authority.

2.6.2 Second, the application of common good property is not confined to charitable purposes, again as required by section 7 of the 2005 Act. Common Good property vested in local authorities must be administered having regard to the interests of the local inhabitants but this is a broad discretion which is not limited to charitable purposes.

2.7 OSCR has therefore taken the decision to remove the Common Good Funds from the Charities Register (the Register), as it has concluded that they do not meet the statutory test to be regarded as a charity and, as such, should not be registered charities.

2.8 OSCR notified the Council to confirm that the removal of the Common Good from the Register would take effect from 31 March 2023 to coincide with the end of the Common Good Funds' financial year.

2.9 The effect of deregistration is that the Common Good Funds are no longer entitled to refer to themselves as a 'charity' or to use their former registered charity number. There will also be no requirement to prepare and submit to OSCR a separate set of Common Good Fund accounts for the year ending 31 March 2023. The Common Good Fund accounts will continue to be disclosed within the Stirling Council accounts and audited as part of these accounts.

**Reorganisation of Charities**

2.10 The Council has been conducting a review of all small charitable trusts with the objective of reorganising these into fewer charities, and/or transferring the balances held to other charitable organisations who may be better placed to meet the purposes for which the trusts were originally established, all as permitted for under charities legislation.

2.11 The Council's Legal and Finance teams are working with services across the Council to undertake a review of the assets held by each charity. These assets vary across the individual charities, ranging from simple monetary funds, to complex heritable ground, property and historical monuments. Once this review is complete, relevant application forms setting out proposals for the reorganisation of each of the individual charities' balances or assets will be compiled and submitted to OSCR for their approval.

2.12 OSCR has indicated a time period of between 3 to 6 months to process and approve applications for reorganisation, being dependent on the size and complexity of the charities and their respective assets.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2022/23 Charitable Trusts Accounts and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Stirling Council 8 December 2022: Common Good Funds and Charitable Trusts Audited Accounts 2021/22 and relevant minute of the meeting.

4.3 Civic Panel 23 February 2023: Common Good Fund Balances 2022/23 and relevant minute of the meeting..

## 5. Appendices

5.1 Appendix 1 - Stirling Council Consolidated Small Charitable Trusts 2022/23.

5.2 Appendix 2 - Dunblane Cemetery Memorial Garden (Maintenance) Trust 2022/23.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| George Murphy | Finance Service Manager | 01786 233356<br>murphyg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Kirsty Stanners | Chief Officer - Finance | 29 May 2023 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All. |
| Key Priorities: | All. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

# Stirling Council

# Consolidated Small Charitable Trusts

## Annual Report and Financial Statements

## For the Year Ended 31 March 2023

## Subject to Audit

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# Trustees Annual Report
## For the Year Ended 31 March 2023

Section 106 of the Local Government (Scotland) Act 1973 applies the accounting and audit requirements of the Act to any trust fund where an authority or some members of the authority are the sole trustees. Local authorities administer a number of such trust funds some of which are registered as charities with the Office of the Scottish Charity Regulator (OSCR).

The preparation and audit of financial statements prepared by registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act) and The Charities Accounts (Scotland) Regulations 2006 (the 2006 regulations). The 2006 regulations require charities to prepare a statement of account, and require an accompanying auditor's report where any legislation requires an audit. As section 106 requires an audit, the appointments of local authority auditors have been extended to include the provision of an auditor's report for charitable funds covered by that section.

Regulation 7 of the 2006 regulations permits connected charities to prepare a single set of accounts. Charities are connected if they have common or related purposes, or shared management. Stirling Council acts as sole trustee to a number of individual small charitable trusts, and on the basis of this shared management arrangement, the Council has taken the decision to consolidate the results of the individual small charitable trusts into a single set of accounts for audit purposes.

The Trustees have pleasure in presenting their report, together with the consolidated financial results of the individual small charitable trusts for the year ended 31 March 2023.

## Structure, Governance and Management

**Constitution**
Each Charity is an unincorporated association governed by its constitution. The respective date of constitution for each individual Charity is outlined in the table on page 5.

It should be noted that the governing documents are not available for all charities as these have been lost over time. Funds are not used for any purpose other than the charitable purpose.

**Trustees**
Stirling Council is sole Trustee, and acting as a corporate body, makes decisions in accordance with its Scheme of Delegation. The Scheme of Delegation does not make provision for decisions in respect of each Charity to be made by a Committee, Sub-Committee, or Officer. As a result, power to make decisions is reserved to Council and is exercised through meetings of the full Council.

**Trust Management**
The Council's Chief Officer Finance as the proper officer for the administration of its financial affairs in terms of section 95 of the Local Government (Scotland) Act 1973 is also the proper officer in respect of the financial affairs of each Charity. The Chief Officer Governance & Solicitor to the Council as the proper officer in respect of the authentication of documents in terms of section 193 of the Local Government (Scotland) Act 1973 is also the proper officer in respect of the authentication of documents of each Charity.

**Trust Address**
c/o Julia McAfee
Chief Officer Governance & Solicitor to the Council
Stirling Council
Viewforth
Stirling FK8 2ET

**Trust Officers**

| | |
|---|---|
| Kirsty Stanners | Julia McAfee |
| Chief Officer Finance | Chief Officer Governance & Solicitor to the Council |
| Stirling Council | Stirling Council |

**Independent Auditor**
Deloitte LLP

## Trustees' Responsibilities for the Financial Statements

Charity law applicable in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the Financial Statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant financial or other information that has not been provided to the charity's independent auditor; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant financial or other information and to establish that the independent auditor is aware of that information.

## Reorganisation of Charities

Chapter 5 of The Charities Act 2005 provides for the reorganisation of charities, including amalgamation or winding up. The Council is currently progressing a review of all small charitable trusts with the objective of reorganising these into fewer charities, and/or transferring the balances held to other charitable organisations who may be better placed to meet the purposes for which the trusts were originally established.

The Council continues to work with OSCR to develop proposals and reach agreement for the transfer of the remaining 10 small charitable trust balances (as outlined in the following tables). Until then, the trustees will continue to ensure that individual Charity balances are invested for the benefit of each Charity, and will be held and used in accordance with each Charity's objectives.

| Charity No. | Constituted | Charity Name | Charitable Purpose |
|---|---|---|---|
| SC019346 | 1900 | MacFarlane Free Library Endowment Fund | To provide a free library for the inhabitants of Stirling, and in particular, the working and poorer classes. |
| SC019348 | 1981 | The Village Club Strathblane | To provide a village club with reading room, library and recreation facilities for the inhabitants of Strathblane. |
| SC019349 | 1863 | William Drummond Trust for Upkeep of Wigtownshire Martyrs Monument | For the maintenance and upkeep of the Wigtownshire Martyrs Monument, together with the walks and grounds within the Valley Cemetery, Stirling. |
| SC019351 | 1943 | Miss Victoria M Anderson Trust | For the purpose of improving the amenity of Stirling Castle, including in particular the Back Walk. |
| SC019352 | 1966 | Miss Catherine C Halley Bequest | For the benefit of persons with physical disabilities and/or mental health needs. |
| SC019353 | 1921 | Rev Dr John Ebenezer Honeyman Thomson Bequest for Stirling Public Library | For the purpose of providing books of a religious nature to Stirling Public Library. |
| SC019356 | 1938 | Gargunnock Rest Garden Fund | For the purpose of providing an area of recreational ground at Gargunnock for the benefit of children and the elderly. |
| SC019361 | 1925 | Killearn War Memorial Fund | For the purpose of the maintenance and upkeep of the Killearn war memorial. |
| SC023022 | 1920 | Strathblane War Memorial Fund | For the purpose of the maintenance and upkeep of the Strathblane war memorial. |

Charity SC025090 (Stirling Council Charitable Trusts) was established generally for the provision of relief to those in need by reason of age, ill health, disability, financial hardship or other disadvantage. The Charity however encompasses a number of small individual sub-funds, each with their own particular purpose.

| Charity No. | Constituted | Charity Name | Charitable Purpose |
|---|---|---|---|
| SC025090 | 2006 | Lair Purchase | For the benefit of the poor (no geographical information) |
| SC025090 | 2006 | Batterflats Home Comforts | For the benefit of the residents of Batterflats Home |
| SC025090 | 2006 | Stirling OAP Treat Fund | For the benefit of the OAPs of Stirling |
| SC025090 | 2006 | Blind Persons' Fund | For the benefit of blind persons |
| SC025090 | 2006 | Maintenance of Lairs | For the maintenance of specific individuals' cemetery lairs |
| SC025090 | 2006 | George.C. Thomson Bequest | For amenity improvements in Callander |
| SC025090 | 2006 | Dunblane Institute | For the benefit of the people of Dunblane |
| SC025090 | 2006 | Miss C Whitehead Bequest | For the provision of coal to the poor of Dunblane |
| SC025090 | 2006 | Kate S Neilson Bequest | For the enhancement of Dunblane |
| SC025090 | 2006 | Strathblane Tennis Club | For the benefit of the people of Strathblane |
| SC025090 | 2006 | Water of Endrick | For the benefit of the poor of Water of Endrick |
| SC025090 | 2006 | Perth & Kinross Education | For the benefit of the people of Dunblane |
| SC025090 | 2006 | Miss Margaret Ogilvie Bequest | For the benefit of the poor (no geographical information) |
| SC025090 | 2006 | Cornton Community Council | For the benefit of the people of Cornton |

## Financial Review

No monies were disbursed from any of the 10 charities during 2022/23. Income earned across all charities in 2022/23 totalled £1,580 (£48, 2021/22) representing interest received on funds invested in Stirling Council's Loans Fund. Total Funds held by all charities stood at £56,449 as at 31 March 2023 (£54,869, 31 March 2022). All funds were invested in Stirling Council's Loans Fund.

The Village Club, Strathblane property was revalued during the year and resulted in a net gain on revaluation of £95,591. The valuation was carried out by a professionally qualified Valuer within Stirling Council's Estates Team.

**Reserves Policy**

Reserves may only be used for specific purposes relating to each Trust's objectives. The revaluation reserve balance of £450,282 reflects the initial recognition of the Village Club, Strathblane property within these accounts, together with all subsequent revaluations carried out on the asset.

The report was signed on behalf of the trustees.

Julia McAfee
Chief Officer Governance & Solicitor to the Council

## Statement of Receipts and Payments - For the Year Ended 31 March 2023

| | | Total 2022/23 £ | Total 2021/22 £ |
|---|---|---|---|
| **Voluntary Receipts** | | | |
| Investment Income - Stirling Council | Note 4 | (1,580) | (48) |
| **Total Receipts** | Note 4 | **(1,580)** | **(48)** |
| **(Surplus)/Deficit For the Year** | Note 4 | **(1,580)** | **(48)** |

## Statement of Balances - As at 31 March 2022

| | | Total 2022/23 £ | Total 2021/22 £ |
|---|---|---|---|
| **Fixed Assets - Village Club, Strathblane** | Note 3 | **450,282** | **354,691** |
| **Revaluation Reserve** | Note 3 | **(450,282)** | **(354,691)** |
| **Funds Reconciliation** | | | |
| Total Funds - opening balance | Note 5 | (54,869) | (54,821) |
| (Surplus)/Deficit For the Year (as above) | Note 4 | (1,580) | (48) |
| **Total Funds - closing balance** | Note 5 | **(56,449)** | **(54,869)** |
| **Cash & Bank Balances** | | | |
| Investments - Stirling Council Loans Fund | Note 5 | 56,449 | 54,869 |
| **Total Cash & Bank Balances** | Note 5 | **56,449** | **54,869** |

All funds are restricted meaning that they may only be used for specific purposes

The notes on pages 7 to 9 form an integral part of these accounts.

The unaudited accounts were issued on 8 June 2023.

Signed on behalf of the trustees.

_____
Kirsty Stanners
Chief Officer Finance

_____
Julia McAfee
Chief Officer Governance & Solicitor to the Council

## Notes to the Financial Statements

### 1. Basis of Accounting

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### 2. Nature and Purpose of Funds

Restricted funds may only be used for specific purposes. Restrictions arise when specified by a donor or when funds are raised for specific purposes.

Charity SC025090 (Stirling Council Charitable Trusts) encompasses a number of small individual sub-funds, each with their own particular purpose. For this reason, the sub-funds listed in Note 4 are thereby classified as restricted since the monies in one sub-fund cannot be applied to purposes within another sub-fund.

For a number of the charitable trusts there are no governing documents, therefore as a prudent approach, all the funds of these trusts have been classified as restricted.

### 3. Fixed Assets

Fixed Assets comprise the Village Club building in Strathblane. Stirling Council does not own the property but holds it as the trustee in accordance with the trust deeds of the Village Club Strathblane charitable trust, which requires the building to be made available for the provision of a village club with reading room, library and recreation facilities for the inhabitants of Strathblane.

The revaluation reserve balance reflects the initial recognition of the Village Club property within these accounts, together with subsequent revaluations carried out on the asset. Depreciation is not charged on the property as the Council's internal valuer revalues the property on an annual basis. The revaluation exercise for 2022/23 resulted in an increase in the carrying value of the asset of £95,591, from £354,691 to £450,282.

### 4. Surplus for the Year

The following table shows the Surplus for the Year of £1,580 (2021/22, Surplus £48) analysed by sources of income received by each individual charity. No expenditure was incurred in either 2021/22 or 2022/23.

| | 2022/23 | | 2021/22 | |
|---|---|---|---|---|
| | **Stirling Council Interest** | **Net Surplus** | **Stirling Council Interest** | **Net Surplus** |
| | **£** | **£** | **£** | **£** |
| MacFarlane Free Library | (179) | **(179)** | (6) | **(6)** |
| The Village Club Strathblane | (46) | **(46)** | (1) | **(1)** |
| William Drummond Trust | (44) | **(44)** | (2) | **(2)** |
| Miss Victoria M Anderson Trust | (71) | **(71)** | (2) | **(2)** |
| Miss Catherine C Halley Bequest | (136) | **(136)** | (4) | **(4)** |
| Rev Dr JEH Thomson Bequest | (160) | **(160)** | (5) | **(5)** |
| Gargunnock Rest Garden Fund | (39) | **(39)** | (1) | **(1)** |
| Killearn War Memorial Fund | (46) | **(46)** | (1) | **(1)** |
| Stirling Council Charitable Trusts **(see note below)** | (859) | **(859)** | (26) | **(26)** |
| **Total Income** | **(1,580)** | **(1,580)** | **(48)** | **(48)** |

**Note**: Income earned by each of the individual sub-funds consolidated within Charity SC025090 (Stirling Council Charitable Trusts) is as follows:

| | 2022/23 | | 2021/22 | |
|---|---|---|---|---|
| | **Stirling Council Interest** | **Total Income** | **Stirling Council Interest** | **Total Income** |
| | **£** | **£** | **£** | **£** |
| Lair Purchase | (1) | **(1)** | - | **-** |
| Batterflats Home Comforts | (11) | **(11)** | - | **-** |
| Stirling OAP Treat Fund | (14) | **(14)** | - | **-** |
| Blind Persons' Fund | (13) | **(13)** | - | **-** |
| Maintenance of Lairs | (245) | **(245)** | (8) | **(8)** |
| George C Thomson Bequest | (243) | **(243)** | (8) | **(8)** |
| Dunblane Institute | (9) | **(9)** | (1) | **(1)** |
| Miss C Whitehead Bequest | (16) | **(16)** | (1) | **(1)** |
| Kate S Neilson Bequest | (161) | **(161)** | (4) | **(4)** |
| Strathblane Tennis Club | (53) | **(53)** | (1) | **(1)** |
| Water of Endrick | (19) | **(19)** | (1) | **(1)** |
| Perth & Kinross Education | (20) | **(20)** | (1) | **(1)** |
| Miss Margaret Ogilvie Bequest | (37) | **(37)** | (1) | **(1)** |
| Cornton Community Council | (17) | **(17)** | - | **-** |
| **Total Income** | **(859)** | **(859)** | **(26)** | **(26)** |

## 5. Total Funds

The following table shows Total Funds of £56,449 as at 31 March 2023 (£54,869, 31 March 2022) analysed across each individual charity.

| | **Stirling Council Loans Fund** | **Total Funds 31/3/23** | **Stirling Council Loans Fund** | **Total Funds 31/3/22** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| MacFarlane Free Library | (6,412) | **(6,412)** | (6,233) | **(6,233)** |
| The Village Club Strathblane | (1,619) | **(1,619)** | (1,573) | **(1,573)** |
| William Drummond Trust | (1,570) | **(1,570)** | (1,526) | **(1,526)** |
| Miss Victoria M Anderson Trust | (2,513) | **(2,513)** | (2,442) | **(2,442)** |
| Miss Catherine C Halley Bequest | (4,845) | **(4,845)** | (4,709) | **(4,709)** |
| Rev Dr JEH Thomson Bequest | (5,716) | **(5,716)** | (5,556) | **(5,556)** |
| Gargunnock Rest Garden Fund | (1,409) | **(1,409)** | (1,370) | **(1,370)** |
| Killearn War Memorial Fund | (1,652) | **(1,652)** | (1,606) | **(1,606)** |
| Stirling Council Charitable Trusts **(see note below)** | (30,713) | **(30,713)** | (29,854) | **(29,854)** |
| **Total Funds** | **(56,449)** | **(56,449)** | **(54,869)** | **(54,869)** |

**Note**: Total Funds held in the name of each of the individual sub-funds consolidated within Charity SC025090 (Stirling Council Charitable Trusts) are as follows:

| | Stirling Council Loans Fund £ | Total Funds 31/3/23 £ | Stirling Council Loans Fund £ | Total Funds 31/3/22 £ |
|---|---|---|---|---|
| Lair Purchase | (32) | **(32)** | (31) | **(31)** |
| Batterflats Home Comforts | (405) | **(405)** | (394) | **(394)** |
| Stirling OAP Treat Fund | (499) | **(499)** | (485) | **(485)** |
| Blind Persons' Fund | (457) | **(457)** | (444) | **(444)** |
| Maintenance of Lairs | (8,785) | **(8,785)** | (8,540) | **(8,540)** |
| George C Thomson Bequest | (8,688) | **(8,688)** | (8,445) | **(8,445)** |
| Dunblane Institute | (324) | **(324)** | (315) | **(315)** |
| Miss C Whitehead Bequest | (573) | **(573)** | (557) | **(557)** |
| Kate S Neilson Bequest | (5,730) | **(5,730)** | (5,569) | **(5,569)** |
| Strathblane Tennis Club | (1,888) | **(1,888)** | (1,835) | **(1,835)** |
| Water of Endrick | (678) | **(678)** | (659) | **(659)** |
| Perth & Kinross Education | (715) | **(715)** | (695) | **(695)** |
| Miss Margaret Ogilvie Bequest | (1,317) | **(1,317)** | (1,280) | **(1,280)** |
| Cornton Community Council | (622) | **(622)** | (605) | **(605)** |
| **Total Funds** | **(30,713)** | **(30,713)** | **(29,854)** | **(29,854)** |

## 6. Revenue Recognition

Interest income received on Investments is recognised in the financial period in which the interest is received.

## 7. Related Party Transactions

The Council, as trustees, has not charged any of the trusts for legal, financial or administrative services provided during 2022/23 (£Nil, 2021/22).

No trustee or any person connected to them received remuneration or expenses from any of the trusts during 2022/23 (£Nil, 2021/22).

Interest income of £1,580 was earned in 2022/23 from funds invested with Stirling Council's Loans Fund (£48, 2021/22).

## 8. Audit Fees

Although paid by Stirling Council, fees directly attributable to the Consolidated Small Charitable Trusts in respect of external audit services carried out by the appointed auditor amounted to £tbc in 2022/23 (2021/22, £683).

**Independent auditor's report to the trustees of Stirling Council Consolidated Small Charitable Trusts and the Accounts Commission**

**To follow**

# Dunblane Cemetery Memorial Garden (Maintenance) Trust

## Scottish Charity SC029443

## Annual Report of the Trustees

## and

## Financial Statements

## For Year Ended 31 March 2023

## Subject to Audit

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# Report of the Trustees for the Year Ended 31 March 2023

## Introduction

The Trustees present their report with the financial statements of the Dunblane Cemetery Memorial Garden (Maintenance) Trust (the Trust) for the year ended 31 March 2023.

The Trust is a registered Scottish charity with Scottish Charity number SC 029443.

## Reference and Administrative Information

**Charity Name**
Dunblane Cemetery Memorial Garden (Maintenance) Trust

**Charity Number**
SC 029443

**Correspondence Address**
c/o Julia McAfee
Chief Officer Governance & Solicitor to the Council
Stirling Council
Viewforth
STIRLING FK8 2ET

**Trustees**
Councillor Robin Kleinman
Councillor Alasdair Tollemache
Councillor Douglas Dodds
Mr Martyn Dunn
Mr Kenneth Ross

**Trust Officers**
Claire Ferguson
Solicitor
Stirling Council

George Murphy
Finance Service Manager
Stirling Council

Thomas Rennie
Cemeteries Supervisor
Stirling Council

**Bankers**
The Royal Bank of Scotland PLC
Units 22/23, Thistles Shopping Centre,
STIRLING
FK8 2EA

**Independent Auditor**
Deloitte LLP

## Structure, Governance and Management

The charity is constituted as a Trust and as such its governing document is a Deed of Trust dated 12 and 14 July 1999.

The minimum number of trustees is two with no maximum number set, however should there be a single trustee, additional trustees shall forthwith be appointed. Providing that the minimum number of trustees is in office the trustees may from time to time exercise all or any of the trust's powers and discretions.

The Solicitor to the Council has been appointed as Honorary Secretary. All administrative work in relation to the Charity is conducted by Stirling Council.

## Trustees' Responsibilities for the Financial Statements

Charity law applicable in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed the Charities Statement of Recommended Practice (SORP): Financial Reporting Standard 102 (FRS 102); and
- prepared the Financial Statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant financial or other information that has not been provided to the charity's independent auditor; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant financial or other information and to establish that the independent auditor is aware of that information.

## Objectives

The Trust was established in July 1999 by the trustees of the former Dunblane Fund and the former Stirling Observer Dunblane Help Fund. The purpose of the Trust as set out in Clause 3 of the founding deed is to hold the Trust Fund in memory of the tragedy which occurred at Dunblane Primary School in March 1996 and:

- To assist in the maintenance, upkeep and repair of the Dunblane Cemetery Memorial Garden
- To carry out improvements to the Garden as the Trustees may, from time to time at their sole discretion, consider either necessary or desirable which may include the execution or carrying out of works more specifically provided for in the Schedule attached to the Deed of Trust.

## Achievements and Performance

The Memorial has been maintained throughout the year to the level of service that is requested by the Trustees at a total cost of £1,801.

## Review of Financial Position

The income of the Trust for the year represents interest of £3,852 from balances invested in Stirling Council's Loans Fund. The total of the reserves of the Trust stands at £136,529 as at 31 March 2023. The reserves are held to provide the financial assistance to maintain the Memorial in such a state that benefits the community of Dunblane. As at 31 March 2023, all reserve balances were invested in Stirling Council's Loans Fund.

The report was signed on behalf of the Trustees.

Councillor Douglas Dodds
Trustee

## Statement of Financial Activities for the Year Ended 31 March 2023

| | 2022-23 | 2021-22 |
|---|---|---|
| | £ | £ |
| **Incoming Resources** | | |
| Interest & Investment Income | (3,852) | (119) |
| **Total Incoming Resources** | **(3,852)** | **(119)** |
| | | |
| **Resources Expended** | | |
| Water Feature Costs | | |
| Servicing | 1,380 | 510 |
| Electricity Supply for Fountain | 421 | 725 |
| **Total Resources Expended** | **1,801** | **1,235** |
| | | |
| **Net Movement In Funds** | **(2,051)** | **1,116** |
| | | |
| **Reconciliation of Funds:** | | |
| Net Movement In Funds | 2,051 | (1,116) |
| Total Funds Brought Forward | 134,478 | 135,594 |
| **Total Funds Carried Forward** | **136,529** | **134,478** |

## Balance Sheet as at 31 March 2023

| | | 2023 | 2022 |
|---|---|---|---|
| | | £ | £ |
| **Current Assets** | | | |
| Investment with Stirling Council's Loans Fund | Note 2 | 136,955 | 134,478 |
| **Total Current Assets** | | **136,955** | **134,478** |
| | | | |
| **Current Liabilities** | | | |
| Creditors | Note 3 | (426) | - |
| **Total Current Liabilities** | | **(426)** | **-** |
| | | | |
| **Total Net Assets** | | **136,529** | **134,478** |
| | | | |
| **The Accumulated Funds of the Charity** | | | |
| Unrestricted Income Fund | | 136,529 | 134,478 |
| **Total Accumulated Funds Carried Forward** | | **136,529** | **134,478** |

All funds are unrestricted meaning that they may be used at the discretion of the trustees in the furtherance of the objectives of the charity.

The unaudited accounts were issued on 8 June 2023.

Signed on behalf of the trustees.

Councillor Douglas Dodds
Trustee

# Notes to the Financial Statements

## 1. Basis of Accounting

**General**
These accounts have been prepared on an accruals basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, using the accruals concept of accounting and in accordance with Financial Reporting Standard 102 (FRS 102).

**Taxation**
The Trust has charitable status for tax purposes.

**Nature and Purpose of Funds**
Unrestricted funds are those that may be used at the discretion of the trustees in the furtherance of the objects of the charity.

## 2. Current Assets

In accordance with the decision by the trustees, the Fund balance is invested to provide instant access to funds via Stirling Council's Loans Fund for day to day expenditure.

## 3. Current Liabilities

Current liabilities as at 31 March 2023 are as follows:

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Electricity Charge outstanding for 2022/23 | 66 | - |
| Ritchie McKenzie - Service Check On Water Feature | 360 | - |
| | **426** | **-** |

## 4. Trustees' Remuneration

No trustee or any person connected to them received remuneration or expenses reimbursed from the Trust during any of the past two years.

## 5. Related Party Transactions

Stirling Council provides a range of legal, financial and administrative services for the Trust without charge.

These services include the arrangement of contracts for the upkeep of the Memorial Garden and water fountain, together with garden maintenance costs including grass-cutting and other ground maintenance services.

The Trust received interest income of £3,852 in 2022/23 (2021/22, £119) from balances invested in Stirling Council's Loans Fund.

## 6. Revenue Recognition

Interest income received on Investments is recognised in the financial period in which the interest is earned.

## 7. Audit Fees

Although paid by Stirling Council, fees directly attributable to the Dunblane Cemetery Memorial Garden (Maintenance) Trust in respect of external audit services carried out by the appointed auditor amounted to £tbc in 2022/23 (2021/22, £683).

## Independent auditor's report to the trustees of Dunblane Cemetery Memorial Garden (Maintenance) Trust and the Accounts Commission

### Report on the audit of the financial statements

**To Follow**